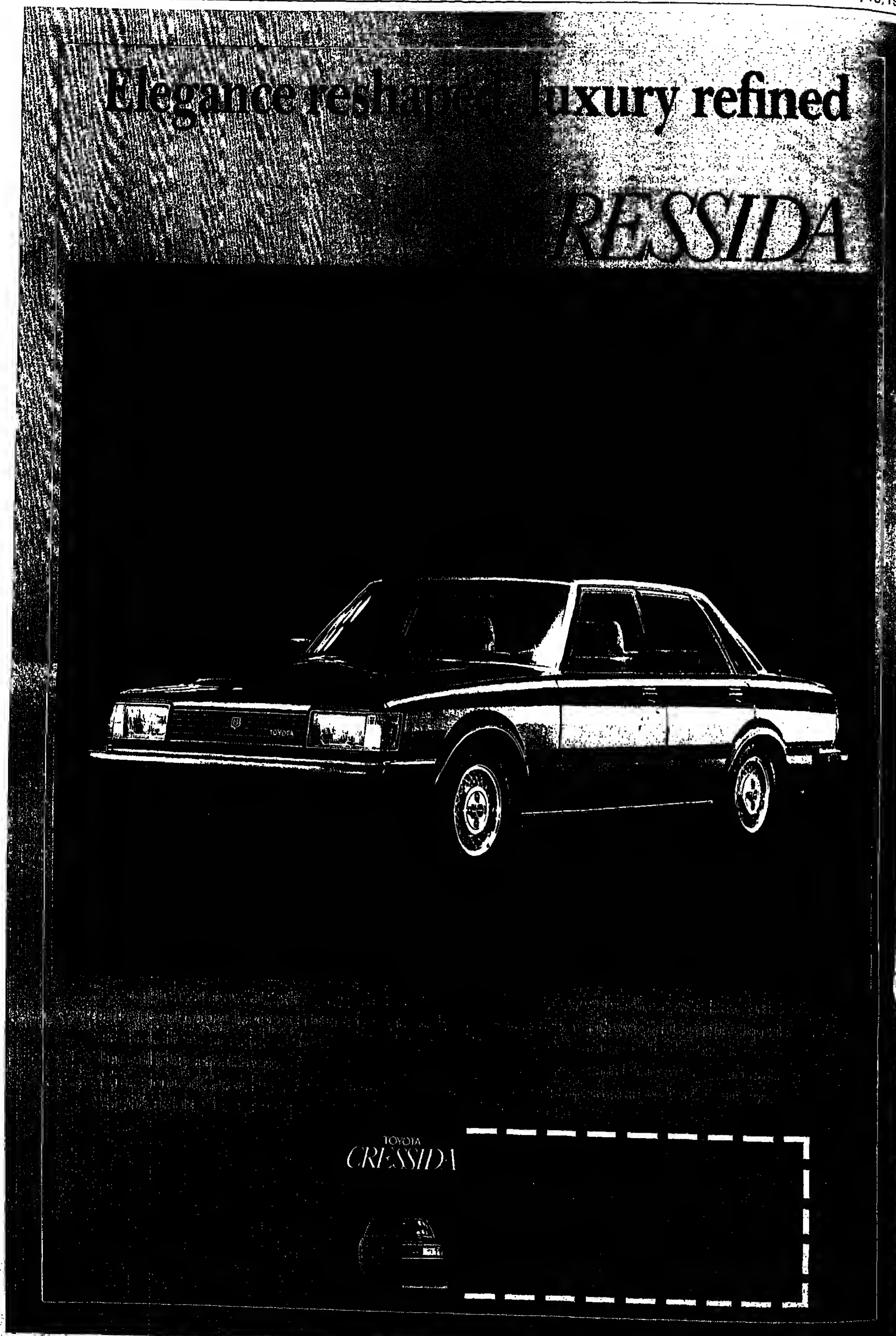

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

80 cents

Inside

Water into wine '80 vintage

by Frank Thorpy

WITH almost biblical stewardship, the Wine Industry managed to produce 50 per cent more wine than grape juice, in 1980.

In fact, almost a repetition of the New Testament wedding at Cana . . . on a 46.6 million litre scale.

Latest figures from the Ministry of Agriculture and Fisheries 1980 vineyard survey, the most comprehensive yet compiled, show clearly how much adulteration of wine has been going on.

Last year, 46.6 million litres of wine were produced (Department of Statistics figures) from 30 million litres of grape juice at the very most — a shortfall of more than 50 per cent.

The survey adds strength to Opposition claims that the industry has gained too much protection at a high cost to the consumer, and that the legislation which protects the industry from imports should have been referred to a select committee. But it was not subjected to committee scrutiny and became law on July 1.

The survey — released to the public only on demand, in computer form — shows 4785 hectares of vineyards were planted in 1980. But of that total, 2391 hectares were represented by new plantings (vines up to two years old and therefore not capable of bearing grapes) so that the 46,647,000 litres of wine produced that year came only from 2395 hectares.

This gives a total of about 19,477 litres of wine produced per hectare, or 1785 gallons per acre.

Production figures from other countries are enlightening:

Litres of wine per hectare of bearing vines

Italy	4,590
France	4,500
Germany	11,840
Argentina	7,359
Australia	5,368
California	10,811
New Zealand	19,477

In hindsight, surely it would have been better for the Government to have forced the local industry to compete with imports while there is such a serious grape shortage. This would have kept the public image of wine high in popular esteem.

As it is, the shortage of grapes has led to the proliferation of cheap flavoured wines made with a minimum of 40 per cent grape juice. This can only turn the public perception of wine back to the old plonk syndrome.

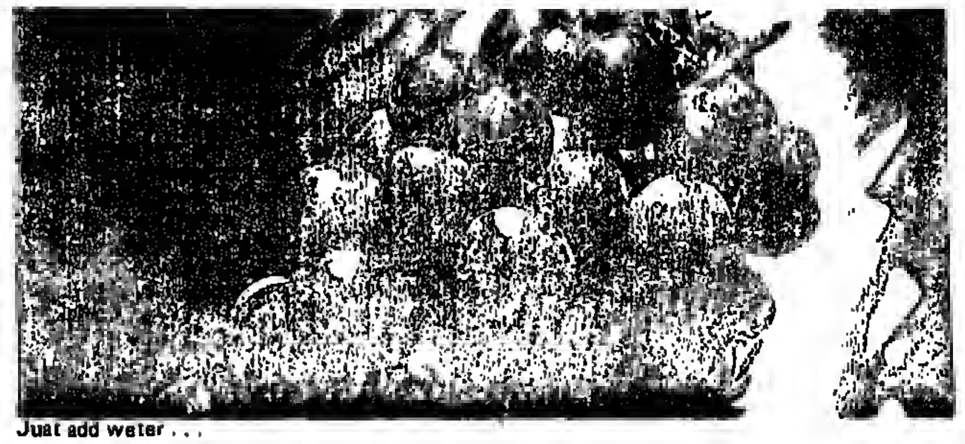
The Ministry's figures refer to last year's production but many sympathetic and experienced observers feel that some of the bad old practices are slowly creeping back because of the continued shortfall of grapes this year — in spite of a tightening up of the Food and Drug Regulations late last year and a promise that the new regulations would be strictly policed.

If 2395 hectares of grapes produce 30 million litres of real wine made essentially from grape juice, 4785 hectares, when all are bearing, should produce about 60 million litres of real wine, which is about the projected 1986 figure on which the Wine Institute based its case for both local consumption and exports.

We may be nearing the end of rapid vineyard development.

Continued Page 35

Latest prices, Page 16.



Just add water . . .

Financial reforms caught in impasse

by Kleue Sorensen

URGENTLY needed reforms to anomalous financial advertising regulations have been caught in a Government-inspired impasse.

The reforms, recommended by the Securities Commission, stand little chance of becoming legislation until next year because the Government has ranked necessary changes to the Securities Act as a medium-to-low priority.

Present restrictions on advertisments for prospectuses and general fund-raising are administered by the Companies Act. They therefore apply only to registered companies.

Building societies and other groups, such as friendly societies, are not required to conform to Companies Act requirements. The finance industry, therefore, feels its competitors are operating with an unfair advantage.

The Securities Commission has sought (undisclosed) changes to part one of the Securities Act which governs its powers and conduct. Until these alterations are made parts two and three of the Act which include reforms to prospectus and advertising rules, must remain in abeyance.

But Justice Minister Jim McLay has advised the commission that "it is not possible to fit amendments to the Act into the 1981 legislative programme," though, "this does not imply rejection of all or any of its proposals."

So the commission is hamstrung.

It cannot proceed with its proposed securities legislation reforms until the first part of the Securities Act is amended, and those amendments will not be considered until the 1982 legislative session.

But pressure is mounting for the second draft of proposed reforms — particularly the financial advertising suggestions — to be made available for public discussion in the intervening period.

Finance Houses' executive director Ken Baker told *NBR* last week his association intends to approach the Minister

Continued Page 5

Nothing 'formal'

TRANSPORT Minister Colin McLachlan reiterated last week that his department has received no "formal" complaints from the Airline Industry Steering Committee about illegal air-fare discounting by international airlines based in New Zealand, as disclosed in NBR.

McLachlan, replying to questions by self-appointed Air New Zealand watchdog John Kirk (Labour MP for Sydenham), added that no prosecutions have been taken against international airlines for such a practice in New Zealand since 1978. More disclosures, Page 12.

Investors all set for the dinkum, tax-deductible, oil

by Klaus Sorensen

NEW ZEALAND's two offshore oil and gas floats will hit the market this week — and already tax deduction-hungry investors are lining up for big allocations.

The prospectus for the $4 million Cue Energy Resources float was due to be registered on Friday, and some 20,000 prospectuses will be diatributed this week.

The New Zealand Oil and Gas issue — originally due to be mailed to Mineral Resources shareholders (who receive a preferential entitlement) on July 16 — will be registered early this week and the printed prospectus will hotly follow that of Cue.

But while the $20 million NZ Oil and Gas issue dwarfs that of Cue, brokers hove been surprised by the allocatinns offered to them for the latter issue. The allocations by Cue's broker, Jarden and Co, is proportionately greater than that made by NZ Oil and Gas broker, Renouf and Co.

NBR understands that the allocation for each member of the New Zealand Stock Exchange is $10,000 worth of Cue ahares — translating to an offer of 40,000 (25 cent par value) shares per broker.

The NZ Oil and Gaa isaue, on the other hand, ia one and a half times as great in dollar terms at $25,000, but this tranalates into 50,000 (50 cent) shares — only 10,000 more ahares per member than the Cue allocation.

There are some 170 members of the exchange and this means that of the $4 million Cue issue, around $1.7 million, or 43 per cent, of the issue has been firmly allocated to brokers.

About $4.25 million of the $20 million NZ Oil and Gas isaue has been reaerved firm for brokers, equivalent to 21 per cent of the issue.

This suggesta Renouf and Co muat be confident of filling the reat of the issue using its own clients, institutions, and the public pool.

Both issues are designed to comply with Section 159 (2) of the Income Tax Act 1976, where subscriptions, subject to various conditions, will allow a deduction of one third of the amount of the subscription from total assesaable income derived by the taxpayer in the income year in which the payment is made.

But the issuea may, in time, also qualify for a further tax deduction for shareholdera.

A relatively unknown section of the Act (47A), which came into force on April 1, 1979, allows a rebate from the tax payable by an "individual" of 20 cents in the dollar of dividenda which the Commissioner of Inland Revenue is satsified are declared and paid out of assessable income from petroleum mining.

However, this rebate is not available to absentees, companiea or public or unincorporated bodies.

NBR understanda that Cue's brokers have already received an "extremely good" responae to the issue, and the NZ Oil and Gas brokers have reportedly received numerous requests for parcels in excess of 10,000 sharea.

Some individuals are even talking in terms of parcels of *100,000* shares — but it seems likely the Commissioner of Inland Revenue will look more closely at individuals seeking such large deductions.

The Commissioner would have to be satisfied the individual was a "genuine" — and therefore longer term — oil exploration investor.

Exchange rates

AS at July 16, NZ dollar sella at:

						Pakistan	8.0950
						Portugal	53.85
Britain	.4441	China	1.4450	Italy	1006.73	Singapore	1.7859
US	.8368	Denmark	6.3264	Japan	192.34	South Africa	.7594
Canada	1.0095	France	4.7732	Malaysia	1.9429	Spain	80.37
Australia	.7313	Greece	49.11	Netherlands	2.2314	Sweden	4.2965
Fiji	.7334	Hong Kong	4.7415	New Caledonia		Switzerland	1.7238
Austria	14.22	India	7.3450	and Tahiti	86.89	West Germany	2.0098
Belgium	33.06	Ireland	.5523	Norway	5.0698	Western Samoa	.8853

The week that was

THE Rugby Union, police and anti-tour activists geared up for the orrival of the Springboks. An attempt in the Court of Appeal to stop the issue of entry visas for the team was dismissed.

LABOUR Leader Bill Rowling, attacking the Government's "think big" growth strategy, isaued *Signposts to Growth*, which brought together key clements of Labour policy relcased so far.

PAPUA New Guinea Prime Minister Sir Julius Chan warned the Springbok tour could upset the solidarity of the Pacific.

WELLINGTON Mayor Sir Michael Fowler was accosted by gay protesters in San Francisco while trying to cement a sister city relationship.

MILLIONAIRE drug ring boss Alexander Sinclair (nee Terry Clark) and other accomplices were found guilty of the murder of Christopher Martin ("Mr Asia") Johnstone, sometime head of the drug ring. Sinclair's girlfriend former Auckland Lawyer Karen Soich was acquitted of drug charges.

Week to be

MONDAY: International Whaling Commission plenary session, Brighton, England.

TUESDAY: Federated Farmers annual conference, Wellington, to Thursday.

Christchurch Gas, Coal and Coke Co Ltd AGM, Christchurch.

THURSDAY: New Zealand Wrestling Assn conference, New Plymouth.

Marac Holdings Ltd AGM, Auckland.

NZ News Ltd AGM, Auckland.

Auckland Gas Co Ltd AGM, Auckland.

FRIDAY: Computer Consultants Ltd AGM, Wellington.

Carter Holt Holdings AGM.

United Building Society of Christchurch AGM, Christchurch.

Cash-in-hand comes easier

EXPORTERS will find it easier to apply for the export programme grants scheme — the one that gives them cash-in-hand before an export promotion gets under way — from next month.

From August 1, the Department of Trade and Induatry is introducing a change in application procedures for the scheme, which has now been operating for more than a year.

As the first step in a review of procedures and policy guidelines, exportera will be able to apply for both stages of the scheme at the same time. It will no longer be necessary to apply for target market *status* first and then a promotional grant.

Meat industry

DESCRIBING casualties in the meat processing industry, *NBR* (June 22) auggested the the Imlay works "may follow", "in the not-too-distant future" other works which have closed from wounds Inflicted by the delicensing knife. Assistant general manager of Waitaki NZ Refrigerating Ltd, J M Ryan baa told *NBR* that there is "no intention of closure io the known future."

Big projects give taxman new set of headaches

by Allan Parker

FOREIGN contracters coming to New Zealand for the "think big" projects are importing headaches as well as expertise.

Uncertainty about their tax status — and a desire to make aure they and the employees they bring with them do not avoid tax obligations — bas prompted the Inland Revenue Department to set up a apecial investigating team.

If problems already emerging become more common or confusing, the department may seek amending legislation to remove potential conflict between the taxpayers and collectors.

Case history suggests the department is not slow to seek changes to tax low if it believes revenue is being lost to government through ineffective, ambiguous or even non-existent law.

A typical example last year was the move to amend legislation against companies buying into loss companies and using those losses under the carry-forward right.

Although oo estimates of known or potential lost revenue are available, it is substantial.

For example, even 10 per cent profit on a $10 million contract — small by "think big" proportions — would attract compaoy tax of $500,000 (overseas companies face 50 per cent tax on profita). Equally, labour costs for many of the projects are high — and tax from highly paid overseas employees would be significant.

The problems usually relate to countries with which New Zealand has negotiated double-taxation agreements. Such agreements now exist between New Zealand and Australia, Canada, Federal Republic of Germany, Fiji, France, Japan, Malaysia, Singapore, Sweden, United Kingdom and the United States.

Conventions approved by the New Zealand Government but awaiting implementation of constitutional procedures include Canada (revised), Denmark, Italy, Netherlands, Philippines and Switzerland.

Clearly, the bulk of contractors successfully tendering for work on the major projects planned for the next decade will come from these countries. Companies and individuals from countries we do not have double taxation agreement with automatically become New Zealand taxpayers for the time they are earning income here.

The difficulty in establishing a tax status for companies centres on whether they actually operate through a "permanent establiahment" in New Zealand.

Unlike multinational companies which generally establish a permanent base in New Zealand, one-off contractors may only be in New Zealand for brief periods. By law, companies reckoned to be "permanently established" in New Zealand are liable for taxation.

Says a departmental spokesman: "If a company has an office, branch or staff here we would clearly reckon it to be a permanent establishment."

But difficultiea surrounding project contractors have prompted double-taxation agreements between countries to include operators of "substantial equipment" and companiea working on construction sitea for a fixed period of at least six months.

Problems have also occurred in trying to extract tax due from companies that have left New Zealand by the time corporate tax returns are due at the end of the financial year.

Some companies working jointly on a project have also formed a separate overseas company specifically to undertake the contract and have then disbanded it when the work has been finished.

"How do you get tax from a company that no longer exists?" bemoaned the tax department spokeaman.

For individual foreignera, the general tax position in New Zealand is thot anyone performing work in New Zealand with income sourced here is lioble for taxation.

But under double-taxation agreements, individuals who are residents of the other relevaot country and are working for a non-resident employer and are in New Zealand fewer than 183 days are exempt from this tax.

If these individuals are required to pay tax, their employera must deduct PAYE payments from the beginning of the employment period. Refunds will then be made where necessary.

But companies commonly fail to do this. Reasons ioclude a belief that it is a time-wasting effort for the company, and that employers believe falsely they and their employees have fulfilled the tests.

Commonly, the employees are highly paid, highly skilled experts and companies do not want to upset them and so risk losing their services.

These problema of interpretation have existed for some time, particularly during the Maui gas exploration and exploitation period.

But the planned scale of the new big projects means a far bigger problem for the Inland Revenue Department.

Other ploys, Page 17

Poly on Cabinet agenda

by Stephen Bell

EDUCATION Minister Merv Wellington, will put a plan before Cabinet aimed at saturation provision of the Poly educational microcomputer to all the nation's secondary schools, within the next two months.

Drafting of a formal paper for Cabinet's consideration will obviously take some time, said a spokesman for Wellington — whose department will fund the project. Results of trials of the machine in two schools, which ended last week, will be included in the Cabinet paper.

The results are being analysed by Massey University, but teacher and pupil satisfaction with Poly seems to be high.

Whether Cabinet will think it worthwhile subsidising the project is another matter. With anendant software cost and training facilities several million dollars will clearly be required to mount a competent exercise.

In the meantime, Polycorp, the Government-private sector collaboration in charge of producing and marketing the machine, has decided it is worth trying to sell Poly to schools on an individual basis and promotion on this front will begin next month.

Without Government backing the standard Poly configuration — central storage unit and 10 intelligent microcomputer workstations — would set a school back $35,000 to $40,000. But a minimal configuration with one workstation could be purchased for as little as $9000. A number of schools could probably afford this, said Ian Coombe, of the Development Finance Corporation, now general manager of Polycorp.

More hope for a lower-priced school computer lies in the upcoming model, the Poly 2. This will stand alone with its own built-in floppy-disc storage, and will carry an even cheaper price-tag, specifically designed for solo operation.

But Coombe was not prepared to estimate an end-cost for Poly 2.

Both Poly 1 and Poly 2 are scheduled for first delivery to users by next January.

Trials of Poly 1 prototypes at two schools were concluded last week, and have persuaded the DFC, one of the partners in Polycorp, that only minor improvements are needed to the machine itself and no changes at all to the plans for co-ordinating mass production and marketing of the machine.

Comment

Editorial

SPEAKING just three weeks agn in suppnrt of the Customs Act Amendment Bill which imposed tariff quotas and new rates nf duty for wines to protect the local industry, Customs Miniater Hugh Templeton enthused that New Zealand wines wnuld immediately become cheaper. "The price of most domestic wines will be reduced. There will be an increased volume, too, and there will be a greater varlety of imported wine," he declared.

Retailers and wholesalers disagreed. They sald it would take a while for the new prices to become apparent to consumers, and they warned that by the time the new tax levels filtered through, winemakers would have increased their prices, so the price of wine would stay about the same. That view seemed to have the support of Wine institute executive officer Terry Dunleavy, who told the Auckland Star it was about the time of year when some wine companies increased prices, to recover increased productien eosts. The benefit of the new legislation, in bis view, wnuld be to provide more stable prices in the future because wine would not increase in price so frequently.

Just a fortnigbt later, many local wines were more expensive than before.

As Templeton explained, the purpose of the legislation is to reduce the effect of sales tax nn higher price, better quality wines. Tbe compensating increase in taxation on cheaper wines wnuld encourage the industry "to sbift production towards better-quality wines".

The major effect of the legislation for the local wine industry bas been to remove a 20 per cent sales tax on the finished item (which included the bottle, label aod freight costs). Instead, fortified grape wines are being taxed 90 cents a litre, and other grape wines 50 eents a litre (the equivalent of 37.5 cents for a standard 750 millilitre bottle of table wine). On the other hand, the law doubles the price of what used to be cheap foreign wines by putting a penal impost of $4.50 a litre duty on imports costing less than $2 a litre (fob). That duty was imposed contrary to the advice of the Industries Development Commission, whicb reported after studying the wine industry that high local prices would be met by consumer price resistance and result in a downturn in demand for wine. The IDC argued that to become export competitive, the local wine industry must compete, locally at least, with some imports.

By overhauling the IDC report, the Government aimed to allow more imports, but to steer those imports into a slightly bigher price bracket in the hope of encouraging importere to bring in better-quality overseas wines. The expectation is that if medium to high quality foreign wines sell here at prices similar to those of our top premium wines, a ceiling will be placed on local wine prices, enforeing cost/price containment on our producers who want to maintain clearly defined quality/price strata inside their total product range. Dunleavy explained: "If they have to hold their top prices, they will also have to hold the lower prices to maintain the dividing price gaps."

Thus the declared intention was to increase the quantity and improve the quality of imports, but to protect us against cheap imports (or wean us off foreign plonk). The underlying assumptions equated cheapness with poor quality. One effect is that some importers have cancelled orders of wines costing less than $2 (fob), which denies consumer access to popular wines from the United States, Australia, Portugal and Spain. Other importers have asked their suppliers to increase the prices of wines whicb they previously bought for, say, $1 a litre (not only making those wines more expensive to consumers, but making them more costly in terms of foreign exchange). Meanwhile, the local industry is pumping out increasing quantities of bigh-priced, low-quality plonk for the domestic market while striving to export its better-quality wines. Consumers here are paying more for locally produced "flavoured wines", containing a minimum of 40 per cent grape juice, than the average Frenchman, American or Australian pays for a wine made from 100 per cent grape juice.

The industry insists its concern is to protect itself only against cheap wine imports (it points to a similar concern in the EEC about the consequence for the European wine industry of Spain, Portugal and Greece joining the community). It insists, too, that so far as producing wine is concerned, it is competitive. Costs beyond the control of the wine-maker — grapes, packaging, sales taxes, distribution costs — are said to be the elements that raise prices unduly.

The industry nevertheless makes plain its aspirations to contribute significantly to our export drive. Its objective is to become one of the range of high-quality exports of food produce for which this country bas won an international reputation. The Government's decisions certainly challenge it to do just that, and give it five years to prove it can achieve the potential it claims.

Whatever the cause of its high prices, the industry obviously cannot produce wines which can compete on world markets — at least in the short term — if its position must be buttressed against the impact of cheaper Australian wines on the home market. As for quality, a wine industry which makes 49 million litres of wine from only 30 million litres of grape juice is bound to arouse curiosity, if not suspicion, about its production methods in the world marketplace. Not surprisingly, its annual export contribution is running at only some $650,000 (most of this earned in sales of cheap sherry to Canada).

Agreed, development of an export market takes time and by the end of the decade the wine industry may confound the sceptics. In the meantime, the industry has been given a privileged and protected place in the market, and — as one merchant cautioned before enactment of the new legislation — if winemakers used that privilege to hike their prices, they would be sure to suffer a backlash from consumers. Ominously, the New Zealand Herald reported last week that "soaring vineyard costs are quickly swallowing up the cash advantage drinkers expected to find following the restructuring of wine taxes." Several of the big companies are raising prices to recover the increased costs of wages, grapes, freight, and so on. The only solace for consumers is that prices might have climbed even higher, if the legislation had not been passed.

But the spate of increases make a mockery of Templeton's assertion that the main thrust of the legislation would make most local wines cheaper. The Opposition argued that the Bill should have been referred to a select committee and expressed concern that consumers should have had the chance to put their view. As Dr Michael Bassett said, Labour was not opposed to the Bill, but wanted a select committee to determine — for example — what guarantees there were that consumers would not be paying more than they should for imported wines. Regardless of what has caused the local wine increases, Templeton has been left looking ludicrously out of touch with an industry which the law he was sponsoring was designed to protect. His foolhardy forecast, surely, would not have been made if the legislation had been subjected to the thorough public appraisal that its critics called for.

— Bob Edlin

Brockie's view

Without word of a lie

Let's hear it for . . .

US Ambassador Frenk Gill moy have got mixed reactions from the listeners to his after-dinner jokes the other day, but he could have brought the house down if he finished his speech as he wound up an election meeting in East Coast Beys before the last general election.

Frank's endearing habit of getting himself a bit mixed up verbolly raised more then a few giggles in the Mairangi Bay Presbyterian Church Hell when he asked for a "farty hote" of thanks to those who had organised the meeting.

Bounteous Bounty

ONLY one can possess it . . . but can anyone afford it?

We can now, sadly, record the scuppering of that ambitious project to remake the *Mutiny of the Bounty* by filmmaker Dino de Laurentis with a replica Bounty built in Whangarei. Last week's *Far Eastern Economic Review*, circulating throughout Asia, carries a full page ad offering for sale "this amazing vessel (which) was built from the original plans of the HMS Bounty and (which) incorporates old world craftmanship with state of the art shipboard technology".

Seller is New York-based Dinofilm NYK, presumably a de Laurentis operation.

Waxes the ad: "What if it were possible to combine the romanticism, the rugged determination and the beauty of the past with the incredible sophistication of today's technology . . . this world there is one example of such possibility.

"The Bounty. What if one person could possess it?"

Asking price for frustrated mutinous sea-dogs: $4.5 million.

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Comment

Mat Rata, Mana Motuhake murmurs of discontent

by Mike Smith

Mat Rata . . . Maori movss versus Pakehe procadures.

MANA Matuhake's bid to make a clean sweep of the Maori electorates may have faltered before it has gone beyond the Bambay Hills, south of Auckland.

While party leader Matiu Rata appears well established in Northern Maari through his Auckland base, the party has run into a series of difficulties arising from the selection of candidates in the other Maori electorates.

In both Eastern and Southern Maori there have been complaints from local people over the selection process.

In the Rotorua area of Eastern Maori this has led to a complete breakdown af the party's organisation.

The Maori seats are natoriaus enough for traditianal parties trying to select candidates, without Mana Motuhake's attempts to use customary Maori methods as well.

The lacal people were told that selection wauld be an the custamary Maori method of the quality of the oratory. But they claim that once the selection meeting held near Matamata on June 28 was underway, it reverted to purely traditianal political methods.

Speakers were given 10 minutes to outline their views and then a poll was held.

They are upset that the candidate selected was Albert Tahana, a senior vocational guidance counsellor from Massey, Auckland. While Tahana is of the Rotorua-based Arawa tribe, the elders favoured Jac Malcolm, a Maori Affairs cultural officer living in the Rotorua area.

Rata says the lacal people have complained that the selection was made as directed by the electoral committee and not in accordance with their customary views.

According to Malcolm the episode left the people with a feeling that Mana Motuhake (and Rata) was being led by an Auckland-based group.

This is not the first time the party's management has been under attack for its selection methods, however.

After the selection of Southern Maori candidate, New Amsterdam Reedy, people from the Napier branch complained about the selection methods.

Rata says they "thought it was a 'bit cronk'," but after the matter was explained they were said to have come around.

Meanwhile, in Western Maori there has been some indecision, leading to a delay in selecting a Mana Motuhake candidate.

Rata had told a Rotorua meeting that no candidate would be selected in Western Maori following the wish of the electorate committee to stand behind the Labour member.

But this decision was later reversed and nominations for the party were being called for July 23. While the electorate committee wanted to remain neutral in the election, pressure from burgeoning membership forced a change in decision.

The other parties have not been without their problems either. Sixteen Labour Party branches resigned in Eastern Maori after Dr Peter Tapsell was selected at a Whakatane meeting. They claimed Tapsell's selection was unconstitutional and a paramount chief wrote a strongly worded letter to Labour leader Bill Rowling.

The candidate for selection the branches had backed, Sue Nikora, later made an unsuccessful attempt to become Mana Motuhake's candidate in the region.

Tapsell says people in those branches have since returned to the fold as others will who are now supporting Mana Motuhake.

Labour has a 7000 majority over the National Party. Nominations for National were first of all extended a fortnight because only two people were standing for selection.

Then one of these pulled out leaving a Wellington marketing manager for a sea-food company, Charles Little, as National's candidate.

Despite Mana Motuhake's problems, Rata believes it has a strong chance in this year's election of taking not only Northern Maori, but also Eastern Maori and Western Maori.

He says the party has 78 branches throughout New Zealand and 12,000 members. In Eastern Maori it has 13 branches and between 180 and 220 members in each, but unless Rata can hold them together until November, Mana Motuhake won't be able to cut into Labour's vast majority.

Tapsell says a lot of people in the electorate have flirted with Mana Motuhake, but when the "crunch comes they'll turn to the established party that's looked after them."

Tapsell believes many people are concerned that Mana Motuhake is dominated by "protestors based at Auckland University — people feel that should they fail here, they won't see them again."

If Mana Motuhake can solve its organisational problems, it may be able to offer the Maori a chance to exercise a new political option, as Rata believes.

The main problem, candidates apart, facing Rata and his backers is to convince Maori people in largely rural electorates that the party is a credible alternative within the electoral system.

With its basis in Maori self-determination, there can be no doubt that many Maoris have taken the party to their hearts.

Rata plans to release a "flood" of pamphlets stating Mana Motuhake policy to make it clear where the party stands.

The pamphlets reflect the concerns of most Maori people — unemployment, land and law and order — and it is in these areas that Mana Motuhake is striking a responsive chord.

Rata believes this year's election will either put the Maori people back into a position of being part of the political process, or not at all.

"For the first time, the Maori people will go to the polls with a different option up their sleeve."

Rata is known as a humane and honest person, but it will take all of his political skills to mend tribal fences and ensure the growing strength of his support is moulded into a force to wipe out Labour's grip on the Maori electorates.

Mike Smith runs a freelance news agency based in Rotorua and is author of a book on the Maori land movement to be published this year.

Without word of a lie

For egg-sample . . .

WE were intrigued by a recent news item which reported that anti-tour marchers were bombarded with rotten eggs. Rotten eggs? Under the regime of the Egg Marketing Board the rotten egg has become extinct, like the moa, which is a good thing, if you care to think about a rotten moa's egg or even a moa's rotten egg.

After careful consideration we think we have arrived at a plausible scenario.

This is election year. With typical Kiwi initiative some ingenious person or persons have linked together the problem of egg oversupply with election year demands for rotten eggs in a free-run market.

One can imagine the research and development programme to determine the exact maturation period for fully ripening eggs to the projectability acceptance level, the critical thickness of shell to ensure safe carriage but instant fragmentation on impact and the skilful under-cover marketing arrangements which have to be hatched out.

If we can only link this to the expart drive . . .

The week

Cook Islands offshore banking worries NZ

by Ann Taylor

THE Cook Islands are trying to introduce offshore banking and a bill before the Rarotonga Parliament is aimed to facilitate the establishment of four banks — three American and one Middle Eastern — from which inquiries have been made.

Bankers and the Government here are concerned that the facility could affect our reserves of foreign exchange.

The Cooks plans are being held up by recent changes in Federal regulations which allow offshore banks to drop anchor on American soil.

It is not yet clear how the new regulations will affect American banks which go offshore to avoid costly and legal impediments to the flow of international money.

American banks use offshore branches to move money without having to comply with Federal Reserve requirements that a portion of deposits be kept by the banks.

But the Cook Islands operates on New Zealand currency and has no reserves of its own. There is concern here that if, say, a deposit placed in American dollars and lent in Sterling ran into exchange fluctuation problems or a loan from the bank was not repaid the Cooks would have to call on local reserves to make up the difference.

Cooks Trade Minister Vincent Ingram was here a month ago and consulted with Treasury and Foreign Affairs officials.

Offshore banking could be the first step to creating a tax haven but, Ingram told *NBR*: "Your Government is a bit nervous about that one."

If the Cooks went ahead with the facility, *NBR* understands the "moderate" reaction here would be to enforce rigid exchange controls with the Cook Islands or force it to go to its own currency and hold its own reserves.

"The Reserve Bank is not going to let its reserves drain through a leaky hole in the Cooks," *NBR* was told.

Officials here have told the Cooks Government how much our currency can be exposed to problems ensuing from offshore banking.

Ingram insists the legislation will ensure there is no leakage of taxation or foreign exchange from the New Zealand monetary system.

The Cook Islands Government has studied legislation in other countries which provide the facility — the Bahamas, Bahrain and the Caymao Islands.

The bill it is promoting would allow two international business activities virtually free of all regulations:

● The banks would act as an intermediary between people with money on offer and those who wish to purchase funds and who try to maximise commissions on the transaction;

● The banks would act as booking centres for loans arranged between other countries and income on the transactions would accrue in the Cooks, according to Ingraro.

The Cooks Government would receive revenue from initial registration fees and from annual renewal fees from banks and trading companies.

And the finance institutions would provide employment in a country which, given its slim economic base, has the bulk of its work force in New Zealand. They would also give the Cooks a wider commercial base and access to foreign capital for development.

The suggestion of offshore banking is in line with other moves the Cooks Government has made to establish itself in the eyes of the world as an independent country with the concommitant access to world aid and tourist advantages.

The Cook Islands are fully self-governing but the people retain their New Zealand citizenship and receive $15 million in aid every year.

Over the last 12 months, *NBR* was told, the Cooks have "gone about as far as they can go without becoming independent."

Financial reforms caught in impasse

From Page 1

to seek a release of the second draft for public discussion.

Baker said the association could understand the Minister's concern to get the amendments to the Securities Act settled before pushing ahead with major company law reforms — but members could still see no reason why a public discussion on the proposed reforms could not take place.

The FHA was "pretty disappointed" the Securities Act amendments had been caught in the legislative log-jam and was concerned that the legislative changes recommended would be delayed.

But the FHA agreed with the Securities Commission that parts two and three of the Securities Act (containing various proposed reforms) should not be enacted before the amendments to part one were passed.

Jim McLay . . . suspicious of Commission.

The contentious Section 48 (B) of the Companies Act dealing with financial advertising, was "anomalous" and it was the FHA's view that "advertising restrictions should apply to all institutions who issue securities or raise credit," Baker said.

Baker said he understood the decision not to release the second draft until after the amendment had been approved was taken by the Securities Commission because it was worried the proposals might go beyond the commission's "brief" as defined by section 1 of the Act.

He thought the commission had probably not anticipated a delay with the amendments.

As for the financial advertising aspects, Baker said his group was in a difficult position as it did not know what was contained in the recommendations, "but our educated guess is that a lot of freeing up of the present regulations is recommended, and that the rules will apply to all institutions."

NBR understands that one of the factors which caused the commission's requested amendments to miss out on this legislative session may have been resistance to them in the Justice Department.

It has been rumoured for some time that the Justice Department has eyed the Commission's rapid progress with a degree of suspicion, and department sources claim Justice Department ministerial advisors may have suggested the proposed amendments were "too liberal".

This situation may have influenced the commission to make extra sure of its ground when promulgating new legislative changes — to make sure it was beyond reproach or criticism in doing so.

It seems the commission is reluctant to put the second draft amendments out for public discussion in case the Government does not approve the requested alterations to the empowering part of the Securities Act.

Commission chairman Colin Patterson is overseas on a study tour, but the commission's executive director, Brice Rampton, said in a statement to *NBR* last week that "the commission is naturally disappointed that time cannot be found during the 1981 legislative programme for the Government to consider amending the Securities Act."

"While it is desirable to bring all of the Act into force this year, the commission considers it to be more important that the regulations which are eventually promulgated are the best that can be devised and acceptable to the business community.

"We have made certain suggestions to the Minister which he is considering."

Rampton could not elaborate on what these latter suggestions were.

Coke signs with board

by Warren Berryman

THE Apple and Pear Board has signed a joint deal with the Coca-Cola Export Corporation to pack and distribute Coke's Hi-C natural fruit drinks in Tetra Pak cartons.

Hi-C, a Coca-Cola international brand name, comes in several flavours — mostly citrus — but in New Zealand apple juice drinks will be included.

Hi-C is expected to be introduced in this market this summer, when a fierce marketing battle in the fruit juice market is expected.

Coca-Cola Export Corporation's deal with the Apple and Pear Board means it will be competing against its own Coca-Cola franchise holders.

Oasis Industries, a Coke franchisee, packages its own fruit drink, Sunfresh.

Two producer boards are now involved in the fruit drink market.

The Dairy Board's Tetra Pak machine is turning out a range of fruit drinks in addition to the flavoured milk drink, Zap and white UHT treated milk.

Town milk suppliers with Pure Pak machines will also be involved in this summer's marketing battle.

While the Dairy Board's Tetra Pak machine builds up the throughput needed to amortise its cost by packaging white milk for the domestic market, owners of Pure-Pak machines are prevented by the Department of Trade and Industry from packaging milk.

These and other factors have led private-enterprise companies in the beverage market to complain that the deck is stacked in favour of the producer boards.

Comment

Editorial

SPEAKING just three weeks ago in support of the Customs Act Amendment Bill which imposed tariff quotas and new rates of duty for wines to protect the local industry, Customs Minister Hugh Templeton enthused that New Zealand wines would immediately become cheaper. "The price of most domestic wines will be reduced. There will be an increased volume, too, and there will be a greater variety of imported wine," he declared.

Retailers and wholesalers disagreed. They said it would take a while for the new prices to become apparent to consumers, and they warned that by the time the new tax levels filtered through, winemakers would have increased their prices, so the price of wine would stay about the same. That view seemed to have the support of Wine Institute executive officer Terry Dunleavy, who told the Auckland Star it was about the time of year when some wine companies increased prices, to recover increased production costs. The benefit of the new legislation, in his view, would be to provide more stable prices in the future because wine would not increase in price so frequently.

Just a fortnight later, many local wines were more expensive than before.

As Templeton explained, the purpose of the legislation is to reduce the effect of sales tax on higher price, better quality wines. The compensating increase in taxation on cheaper wines would encourage the industry "to shift production towards better-quality wines".

The major effect of the legislation for the local wine industry has been to remove a 20 per cent sales tax on the finished item (which included the bottle, label and freight costs). Instead, fortified grape wines are being taxed 80 cents a litre, and other grape wines 50 cents a litre (the equivalent of 37.5 cents for a standard 750 millilitre bottle of table wine). On the other hand, the law doubles the price of what used to be cheap foreign wines by putting a penal impost of $4.50 a litre duty on imports costing less than $2 a litre (fob). That duty was imposed contrary to the advice of the Industries Development Commission, which reported after studying the wine industry that high local prices would be met by consumer price resistance and result in a downturn in demand for wine. The IDC argued that to become export competitive, the local wine industry must compete, locally at least, with some imports.

By overhauling the IDC report, the Government aimed to allow more imports, but to steer those imports into a slightly higher price bracket in the hope of encouraging importers to bring in better-quality overseas wines. The expectation is that if medium to high quality foreign wines sell here at prices similar to those of our top premium wines, a ceiling will be placed on local wine prices, enforcing cost/price containment on our producers who want to maintain clearly defined quality/price strata inside their total product range. Dunleavy explained: "If they have to hold their top prices, they will also have to hold the lower prices to maintain the dividing price gaps."

Thus the declared intention was to increase the quantity and improve the quality of imports, but to protect us against cheap imports (or wean us off foreign plonk). The underlying assumptions equated cheapness with poor quality. One effect is that some importers have cancelled orders of wines costing less than $2 (fob), which denies consumer access to popular wines from the United States, Australia, Portugal and Spain. Other importers have asked their suppliers to increase the prices of wines which they previously bought for, say, $1 a litre (not only making those wines more expensive to consumers, but making them more costly in terms of foreign exchange). Meanwhile, the local industry is pumping out increasing quantities of high-priced, low-quality plonk for the domestic market while striving to export its better-quality wines. Consumers here are paying more for locally produced "flavoured wines", containing a minimum of 40 per cent grape juice, than the average Frenchman, American or Australian pays for a wine made from 100 per cent grape juice.

The industry insists its concern is to protect itself only against cheap wine imports (it points to a similar concern in the EEC about the consequence for the European wine industry of Spain, Portugal and Greece joining the community). It insists, too, that so far as producing wine is concerned, it is competitive. Costs beyond the control of the wine-maker — grapes, packaging, sales taxes, distribution costs — are said to be the elements that raise prices unduly.

The industry nevertheless makes plain its aspirations to contribute significantly to our export drive. Its objective is to become one of the range of high-quality exports of food produce for which this country has won an international reputation. The Government's decisions certainly challenge it to do just that, and give it five years to prove it can achieve the potential it claims.

Whatever the cause of its high prices, the industry obviously cannot produce wines which can compete on world markets — at least in the short term — if its position must be buttressed against the impact of cheaper Australian wines on the home market. As for quality, a wine industry which makes 48 million litres of wine from only 30 million litres of grape juice is bound to arouse curiosity, if not suspicion, about its production methods in the world marketplace. Not surprisingly, its annual export contribution is running at only some $650,000 (most of this earned in sales of cheap sherry to Canada).

Agreed, development of an export market takes time and by the end of the decade the wine industry may confound the sceptics. In the meantime, the industry has been given a privileged and protected place in the market, and — as one merchant cautioned before enactment of the new legislation — if winemakers used that privilege to hike their prices, they would be sure to suffer a backlash from consumers. Ominously, the New Zealand Herald reported last week that "soaring vineyard costs are quickly swallowing up the cash advantage drinkers expected to find following the restructuring of wine taxes." Several of the big companies are raising prices to recover the increases costs of wages, grapes, freight, and so on. The only solace for consumers is that prices might have climbed even higher, if the legislation had not been passed.

But the spate of increases make a mockery of Templeton's assertion that the main thrust of the legislation would make most local wines cheaper. The Opposition argued that the Bill should have been referred to a select committee and expressed concern that consumers should have had the chance to put their view. As Dr Michael Bassett said, Labour was not opposed to the Bill, but wanted a select committee to determine — for example — what guarantees there were that consumers would not be paying more than they should for imported wines. Regardless of what has caused the local wine increases, Templeton has been left looking ludicrously out of touch with an industry which the law he was sponsoring was designed to protect. His foolhardy forecast, surely, would not have been made if the legislation had been subjected to the thorough public appraisal that its critics called for.

— Bob Edlin

Brockie's view

Without word of a lie

Let's hear it for . . .

US Ambassador Frank Gill may have got mixed reactions from the listeners to his after-dinner jokes the other day, but he could have brought the house down if he finished his speech as he wound up an election meeting in East Coast Bays before the last general election.

Frank's endearing habit of getting himself a bit mixed up verbally raised more than a few giggles in the Moirangi Bay Presbyterian Church Hall when he asked for a "farty hote" of thanks to those who had organised the meeting.

Bounteous Bounty

ONLY one can possess it . . . but can anyone afford it?

We can now, sadly, record the scuppering of that ambitious project to remake the *Mutiny on the Bounty* by filmmaker Dino de Laurentiis with a replica Bounty built in Whangarei. Last week's *Far Eastern Economic Review*, circulating throughout Asia, carries a full page ad offering for sale "this amazing vessel (which) was built from the original plans of the HMS Bounty and (which) incorporates old world craftmanship with state of the art shipboard technology."

Seller is New York-based Dinofilm NYK, presumably a de Laurentiis operation.

Waxes the ad: "What if it were possible to combine the romanticism, the rugged determination and the beauty of the past with the incredible sophistication of today's technology? In this world there is one example of that possibility.

"The Bounty. What if one person possess it?"

Asking price for frustrated mutinous sea-dogs: $4.5 million.

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Comment

Mat Rata, Mana Motuhake murmurs of discontent

by Mike Smith

MANA Motuhake's bid to make a clean sweep of the Maori electorates may have faltered before it has gone beyond the Bombay Hills, south of Auckland.

While party leader Matiu Rata appears well established in Northern Maori through his Auckland base, the party has run into a series of difficulties arising from the selection of candidates in the other Maori electorates.

In both Eastern and Southern Maori there have been complaints from local people over the selection process.

In the Rotorua area of Eastern Maori this has led to a complete breakdown of the party's organisation.

The Maori seats are notorious enough for traditional parties trying to select candidates, without Mana Motuhake's attempts to use customary Maori methods as well.

The local people were told that selection would be on the customary Maori method of the quality of the oratory. But they claim that once the selection meeting held near Matamata on June 28 was underway, it reverted to purely traditional political methods.

Speakers were given 10 minutes to outline their views and then a poll was held.

They are upset that the candidate selected was Albert Tahana, a senior vocational guidance counsellor from Massey, Auckland. While Tahana is of the Rotorua-based Arawa tribe, the elders favoured Joe Malcolm, a Maori Affairs cultural officer living in the Rotorua area.

Rata says the local people have complained that the selection was made as directed by the electoral committee and not in accordance with their customary views.

According to Malcolm the episode left the people with a feeling that Mana Motuhake (and Rata) was being led by an Auckland-based group.

This is not the first time the party's management has been under attack for its selection methods, however.

After the selection of Southern Maori candidate, New Amsterdam Reedy, people from the Napier branch complained about the selection methods.

Mat Rata . . . Maori moves versus Pakeha procedures.

Rata says they "thought it was a 'bit crook'," but after the matter was explained they were said to have come around.

Meanwhile, in Western Maori there has been some indecision, leading to a delay in selecting a Mana Motuhake candidate.

Rata had told a Rotorua meeting that no candidate would be selected in Western Maori following the wish of the electorate committee to stand behind the Labour member.

But this decision was later reversed and nominations for the party were being called for July 23. While the electorate committee wanted to remain neutral in the election, pressure from burgeoning membership forced a change in decision.

The other parties have not been without their problems either. Sixteen Labour Party branches resigned in Eastern Maori after Dr Peter Tapsell was selected at a Whakatane meeting. They claimed Tapsell's selection was unconstitutional and a paramount chief wrote a strongly worded letter to Labour leader Bill Rowling.

The candidate for selection the branches had backed, Sue Nikora, later made an unsuccessful attempt to become Mana Motuhake's candidate in the region.

Tapsell says people in those branches have since returned to the fold as others will who are now supporting Mana Motuhake.

Labour has a 7000 majority over the National Party. Nominations for National were first of all extended a fortnight because only two people were standing for selection.

Then one of these pulled out leaving a Wellington marketing manager for a sea-food company, Charles Little, as National's candidate.

Despite Mana Motuhake's problems, Rata believes it has a strong chance in this year's election of taking not only Northern Maori, but also Eastern Maori and Western Maori.

He says the party has 78 branches throughout New Zealand and 12,000 members. In Eastern Maori it has 13 branches and between 180 and 220 members in each, but unless Rata can hold them together until November, Mana Motuhake won't be able to cut into Labour's vast majority.

Tapsell says a lot of people in the electorate have flirted with Mana Motuhake, but when the "crunch comes they'll turn to the established party that's looked after them."

Tapsell believes many people are concerned that Mana Motuhake is dominated by "protestors based at Auckland University — people feel that should they fail here, they won't see them again."

If Mana Motuhake can solve its organisational problems, it may be able to offer the Maori a chance to exercise a new political option, as Rata believes.

The main problem, candidates apart, facing Rata and his backers is to convince Maori people in largely rural electorates that the party is a credible alternative within the electoral system.

With its basis in Maori self-determination, there can be no doubt that many Maoris have taken the party to their hearts.

Rata plans to release a "flood" of pamphlets stating Mana Motuhake policy to make it clear where the party stands.

The pamphlets reflect the concerns of most Maori people — unemployment, land and law and order — and it is in these areas that Mana Motuhake is striking a responsive chord.

Rata believes this year's election will either put the Maori people back into a position of being part of the political process, or not at all.

"For the first time, the Maori people will go to the polls with a different option up their sleeve."

Rata is known as a humane and honest person, but it will take all of his political skills to mend tribal fences and ensure the growing strength of his support is moulded into a force to wipe out Labour's grip on the Maori electorates.

Mike Smith runs a freelance news agency based in Rotorua and is author of a book on the Maori land movement to be published this year

Without word of a lie

For egg-sample . . .

WE were intrigued by a recent news item which reported that anti-tour marchers were bombarded with rotten eggs. Rotten eggs? Under the regime of the Egg Marketing Board the rotten egg has become extinct, like the moa, which is a good thing, if you care to think about a rotten moa's egg or even a moa's rotten egg.

After careful consideration we think we have arrived at a plausible scenario.

This is election year. With typical Kiwi initiative some ingenious person or persons have linked together the problem of egg oversupply with election year demands for rotten eggs in a free-run market.

One can imagine the research and development programme to determine the exact maturation period for fully ripening eggs to the projectability acceptance level, the critical thickness of shell to ensure safe carriage but instant fragmentation on impact and the skilful under-cover marketing arrangements which have to be hatched out.

If we can only link this to the export drive . . .

Letters

Cartoned milk

THIS letter is in reply to a letter headed "Misleading impression" (*NBR*, July 13), signed by K R Allen, Parliamentary Under-Secretary to the Minister of Trade and Industry.

Allen states that the Pure-Pak carton is better suited to short-life products. What he should have said is that they are ideally suited to "fresh" products, which is the historical way in which milk has been supplied in New Zealand.

He further states that because of the higher costs of the UHT carton and the higher cost of the milk itself in such a carton, the UHT milk in cartons has been approved for domestic sale by the Government, as there would be little competition with white bottled milk.

What he has failed to point out is that the price of UHT milk has been "deliberately" set so as it will not compete with milk in a bottle.

Effectively, this decision does not give the consumer a fair choice and the question must now be asked, who receives the "super profits" which must accrue from the higher price?

If it is true, as he states, that at least three further UHT plants are to be installed, his arguments that UHT milk will not compete with fresh milk in bottles is fallacious.

From a business viewpoint they must compete or the output from the plants will not be sufficient to make the ventures viable.

His contention that there was no retrospective change in the rules is totally incorrect.

UHT white milk was being sold on the domestic market as early as November 1980. His department requested an explanation from the New Zealand Dairy Board on January 22 1981 as to why it breached the rules. Retrospective permission was then given.

Mr Allen comments that Tetra Pak made several approaches during the 1960s to package milk. He fails to point out that these approaches were for the packing of "fresh" milk in cartons, and our records show that the venture did not proceed for business reasons, and not because of any Government policy. At that time some milk was being sold in "Satona" cartons.

In light of all that has gone before, what has happened to the Department of Trade and Industry's published statement that they were going to "let market forces decide the outcome of the battle between the bottle and the carton?"

A D Carruean
Manager
Pure Pak (NZ) Ltd

Understated benefit

YOUR comment on tourism's overseas exchange earnings being "well over" $100 million in your issue of July 13, is the understatement of the year. The official Reserve Bank receipts for the year ended April 30, 1981 were $244.75 million.

The travel industry has known for a long time that these figures have been understated and in a study being undertaken for the National Travel Association by the University of Auckland, Professor B Henshall estimates that the real overseas earnings of the tourist industry is in the order of $400 million a year — exactly four times your stated amount.

A C Staolford
Chief Executive
National Travel Association

OPEC and rugby tours

FOLLOWING representations from the Organisation for African Unity (OAU) at the May 25 meeting of the Organisation of Petroleum Exporting Countries (OPEC) at Geneva a decision was reached that in order to make the OPEC oil embargo of South Africa more effective that not only was more pressure going to be brought to bear on the oil majors, but that sanctions were also to be applied to countries collaborating with South Africa.

In this move the African members had the backing of the Arab members for two reasons. The first related to the embarrassing position that many Arab countries found themselves in as a result of the disclosures of the Amsterdam-based Shipping Research Bureau's report entitled *Oil Tankers to South Africa*.

The second reason related to the collaboration of Israel and South Africa in the developing of a nuclear deterrent in 1979 and to Israeli military industries' supplying South Africa with 155mm nuclear warheaded artillery shells as was revealed by Granada's *World in Action* television programme of October 20, 1980.

On June 10, therefore, it is interesting to note that Nigeria not only threatened a boycott of next year's Brisbane Commonwealth Games and the Commonwealth Finance Ministers' meeting at Auckland but that trade sanctions were also threatened should the proposed Springbok tour proceed (NZPA-Reuters).

June 15 saw the call of 50 out of 52 foreign ministers at the OAU meeting in Nairobi to the New Zealand Government to stop the Springbok tour and June 19 saw the approval of a series of measures to enforce an oil embargo against South Africa. The proposed measures including the imposition of sanctions against countries seen as collaborating with South Africa were to be administered by a joint OAU-OPEC committee.

The implications of all this for New Zealand first became apparent some four weeks ago when in his address to a National Party conference at Invercargill Police minister Ben Couch was recorded by *Morning Report* as saying that we should not bow to "Arab or African pressure" with regards to the proposed Springbok tour. Then on June 22, after his return from a meeting of the International Energy Agency Energy Minister Bill Birch in a statement to *Morning Report* announced negotiations with Indonesia to secure all our petroleum supplies from there as opposed to the Middle East as this would represent a substantial savings in shipping costs.

The questions, therefore, that I would like to see answered are:

- If we are putting "all" our petroleum needs the Indonesian way then are we withdrawing of our own accord from our present Saudi Arabia, Iraq and Iran deals or are we faced with the prospect of an oil embargo should the proposed Springbok tour proceed;
- If the joint OAU-OPEC committee should call for an oil embargo or trade sanctions against New Zealand on account of the proposed Springbok tour then will Indonesia as a member of OPEC respond to that call;
- Should New Zealand withdraw from its oil deals with Saudi Arabia, Iraq and Iran or should trade sanctions be imposed upon New Zealand then to what extent will New Zealand's extensive meat trade with the Middle East be affected; and
- To what extent was Birch's decision to adopt the controversial synthetic petrol option influenced by the prospect of possible oil sanctions should the Springbok tour proceed?

Lest these questions be considered to be far-fetched I would point out that in 1979 BP Nigeria was nationalised with OPEC backing on account of that company's dealings with South Africa, and Royal Dutch Shell, Netherlands was subject to OPEC sanctions the following year for the same reasons. In both instances the oil majors concerned have come to terms, and in the case of the Netherlands all sporting and cultural contact with South Africa was banned earlier on this year.

Since the 1976 All Black tour of South Africa and the subsequent boycott of the Montreal Olympics a new ball game has been entered into, with regards to the attitudes of the OAU countries and the OPEC countries towards the South African question.

Now instead of just passing resolutions there is increasing evidence of actions being taken to implement these resolutions. I would therefore point out that the message in all of this for New Zealand is clear. Either we call off the proposed Springbok tour or else we shall become subjected to political, sporting and economic sanctions.

W L Jobson
Wellington

Politics

The job auction and other un(ac)countables

by Colin James

DEREK Quigley and the new breed of National MP have brought back into the language of politics a thoroughly desirable word: accountability.

Accountability takes a number of forms: elections, parliamentary inquiries through the Public Expenditure Committee into departmental activity, grilling of ministers and their officials by back-bench committees of Government MPs, television interviews, and so on.

But essentially it is, as its etymological parentage suggests, about getting your money's worth out of the Government. Count up tax dollars you have paid, examine what the departments have done with them and put that against what might have been got for the same money elsewhere.

Quigley and a number of other MPs are keen on this. A rationale Quigley put forward for the Accident Compensation Amendment (No 2) Bill, which tried hamfistedly to reform accident compensation, was that the Accident Compensation Corporation should be more "accountable".

The accountablists have introduced some new techiques of supervision of state activity which have paid some, modest, dividends.

This is done mainly in secret, so accountabeneficiaries — the taxpayers — don't get to see too much of the accounting.

But perhaps right now Quigley and his mates are accountabling Link Consultants. The taxpayers are spending a lot of money on the show and, by the rules of accountability, have a right to value.

Did you get your $37,000 (oops, $37,125) worth out of Link Consultants' contribution to *Jobs and People*?

There are several yardsticks for answering this question. Broadly they divide into two classes: was Link's contribution up to scratch; and was the work, as measured by the end-product, worth doing in the first place?

Link's work is secret. So we have no way of judging its quality for ourselves. We have to trust to the enthusiasm of the accountablists in the Government to do that for us.

If only those accountablists were themselves directly accountable we might then discover the quality of the "research document" based on Link's self-styled assessment of employment policy activities and attitudes of Government departments, official agencies outside the Government and some private sector and community agencies.

We might also discover the value of the "major index of involved agencies and groups" (Link's words) which it prepared as part of establishing "a communication network for the distribution of employment information and advising on ways in which the community could be further involved in the development of employment policy."

We have only *Jobs and People*, a document Link would do well to dissociate itself from when it seeks future consultancy work.

Jobs and People as it emerged after Government rehashes is a sort of glossy picture-book of how wonderful life is in New knocked together by a Tourist and Publicity Department journalist on the basis of a few interviews in the Treasury, the Labour Department and a few other departments — and some helpful advice from Fred Dobbs and Gerry Symmans in the National Party's image tank.

It has a useful index of job creation and assistance schemes. But for the rest it reads like thinly disguised election propaganda.

Thus on Page 6 we start with the lyrical information that "our labour force is a dynamic and constantly changing group of 1.3 million people" (is it really — after all that emigration?) "each with his or her own ambitions and motivations and making their own decisons".

And it is only at the bottom of Page 7 we have the less comforting news that "the average time spent on the unemployment benefit — currently around four months — is increasing . . . The growing number of people experiencing employment difficulties is causing the Government and the community much concern."

It is a political document in tone. Not the sort of booklet to be too closely associated with if preserving political virginity is important — and Link, judging by its sensitivity on this and, for instance, its work for the Government on energy, thinks it is.

Jobs have become highly political.

The National and Labour parties are parading lists of jobs before the voting public in a sort of grand auction.

Jack Ridley drew a map with 150,000 jobs on it. Roger Douglas is promising to swamp the place in carpet factories.

Bill Rowling produced a list last Tuesday in his own, less glossy, version of *Jobs and People* called *Signposts to Growth*: 122,500 jobs over five years from $5800 million investment.

National easily tops that. In its householder leaflet on growth it promises 410,000 jobs over 10 years.

The idea has caught on. Worried that farmers would miss out on investment, Federated Farmers earlier this year was spreading the message that agriculture-based employment would provide an additional 200,000 jobs in the next decade. The fishing industry has been saying how cheaply its sort of jobs can be made.

It is a curious change from the usual run of election auction.

Auctions used to be about money in the hand or in the pocket. The peak years were Labour's 100-pound tax rebate in 1957 and, topping that, National's superannuation scheme.

Now National spreads the message of GROWTH through petrochemicals, electricity, metals, forestry, transport and agriculture.

"They will earn the additional foreign exchange we need and both the projects themselves and the extra overseas earnings generated will create new jobs throughout New Zealand," it says.

"Each additional $1 million of foreign exchange earned will create 160 new jobs."

That is the water-into-shirts line: water gets turned into electricity which, passed through a smelter, is exported and the money is used by New Zealanders to buy shirts which creates jobs for shirt-makers and shirt-sellers whose spending in turn creates jobs for more shirt-makers and shirt-sellers and so on.

Consultant Jock Lee . . . some links are best left unmade.

Labour says that's all bunkum because the think big projects will worsen the balance of payments position until 1986 (which on National's rule of thumb would mean jobs lost).

In his *Signposts to Growth* Rowling said we can get rich quick by spending on the small guys.

Shortage of foreign exchange did hold back growth, he said, but exports by themselves did not create jobs. So other Government economic policies affecting local demand and investment were important, too.

Note that the shortfall between the 122,500 jobs promised in *Signposts* and Labour's estimate of 160,000 jobs needed over the next five years (five times 32,000) will be made up from "expansion of the services sector and the public sector." That last one means your taxes.

Trying to referee these competing claims is pointless. Economists disagree among themselves as to likely employment effects of individual projects and growth in export earnings, so we mere mortals can hardly be expected to judge.

But arguments about how many more of existing sorts of jobs growth will create is itself of limited relevance. Much of the past growth in jobs has been in new sorts of jobs that don't exist now.

And the programmes should be seen in their proper context: as bids at an election auction, the appropriate judgment on them will be, not by economists and commentators, but by the electors, and they will judge by how the bids are presented. Whichever party sounds the more persuasive will get the credibility.

But don't think the parties have forgotten the old style of auction.

Labour has been making a lot of spending promises. It keeps saying they are goals for later, but the sleight-of-hand effect is that they leave an impression of more money in people's pockets (services in their community).

National has been going on about the cost of the promises. This is usual, but this year there is a new twist.

Remember 1972 when National said Labour could not finance its promises because National had "spent the lot" in the Budget?

Well, it has done it again. In its *Truth* column last week, the Government mused as to whether, following the Budget (which, the column left unsaid, contained a whopping, and therefore theoretically not expandable, deficit), Labour would continue with its promises.

Last week's column referred to net immigration of 150,000. It should have been net emigration. And Bill Birch's "I think" comment was intended to refer to the consortium's commitment to the smelter, not his — but a change to that effect missed the press.

Economics

'Claytons Budget': no tonic for 100 proof inflation

by Bob Edlin

THE Government's plans to tackle inflation — as spelled out in the Budget — comprise a beguiling combination of stated conditions where action should be taken and warnings that action may be taken. But limited action has been *taken*.

The Budget acknowledges that Government spending must be watched (while increasing it more than the current rate of inflation), and it warns wage negotiators and finance institutions not to step beyond an unspecified mark lest they invite Government retribution.

But the Government's targeted short-term inflation level is unstated.

In 1975, Finance Minister Rob Muldoon said continued double-figure inflation would wreck the country's economy. Presumably, a major objective of the Government since then has been to achieve single figures.

The latest CPI result is 15 per cent for the year to June 1981. That's a bit higher than Muldoon expected. In his Budget, he referred to the June quarter result, which he expected to show a rise of about 3 per cent, "which would bring the annual figure down to below 15 per cent (compared with 17.9 per cent in the June 1980 year)."

There is optimism in Government circles of further improvements — at least in the short term. According to *Auckland Star* correspondent Ian Templeton, "some authorities see current inflation moving at about 12 per cent on an annual basis". And the June issue of *Quarterly Predictions* sees price inflation easing to near 14½ per cent for 1981-82, "but it is expected to increase again toward, the end of the year".

That longer-term pessimism is shared by the Economic Monitoring Group of the Planning Council, whose latest analysis of the economy warns of a resurgence in our inflation in 1982-83 if present policies continue unchanged.

The Monitoring Group reminds us that inflation poses "the crucial problems which must be faced up to and solved if the economy is to return to acceptable growth rates and full employment".

Inflation resulted in an unsatisfactory industrial relations climate, the *Monitoring Group* said. It also increased uncertainty among investors, and increased uncertainty resulted in unwillingness to enter into long-term commitments, which was detrimental not only to investment directly, but also resulted in resources being used inefficiently because reassessments were required more frequently.

The Monitoring Group was concerned that Government actions reflected a belief that we can adapt to inflation, rather than a desire to tackle it.

Specifically, the Monitoring Group recommended that the immediate objective should be to reduce inflation in 1981-82 to 12 to 13 per cent (the average of higher rates at the start of the year balanced by rates approaching 12-13 per cent per annum by the end of the year). We could then aim to eliminate any discrepancy between world and domestic inflation rates in 1982-83, then move towards the longer-term objective of reducing inflation still further.

Whereas the Monitoring Group identified the reduction of inflation as "the key objective", Muldoon's Budget listed it last out of three fundamental problems to be overcome if the country's potential for growth was to be realised (first, it listed the shortage of foreign exchange; next it listed low productivity).

When the annual inflation rate is 15 per cent, wages must increase by about 20 per cent a year for spending power to be maintained.

Muldoon did concede that the inflation rate was "still much too high and, unless substantially reduced, it will put at risk the opportunity we now have of achieving sustained export and investment-led growth".

And he did express the Government's determination "that inflationary expectations should not be renewed".

Then he identified three key areas where policies "must be effective" to reduce inflation.

His idea of appropriate action contrasts significantly with the Monitoring Group's recommendations.

- Wages policy

The Monitoring Group looked at fiscal drag — the continual elevation of wage earners into higher tax brackets because of inflation — and explained how the progressive nature of the income tax system feeds inflation.

The proportion of incomes paid in taxation rises as money incomes increase, and to achieve constant real (after-tax) incomes, pre-tax incomes must increase faster than price levels.

With present tax scales, money incomes must increase on average by 1.3 times the rate of price increases for after-tax real income to remain constant.

That means that when the rate of inflation is 15 per cent a year, money incomes must increase by about 20 per cent a year for after-tax real incomes to be unchanged.

And so the Monitoring Group was anxious to see a significant start made this year in securing a tax-wage bargain.

Muldoon talks of the "pressing" need for reforming the wage fixing system, but his Budget does no *more* than recall the breakdown of this year's trilateral talks on the wage-tax trade-off to explain why there were no tax cuts in the Budget.

He expresses the hope that — in light of the Arbitration Court order for a 5 per cent general wage increase — there will be no wage settlements in double figures in the 1981-82 wage round.

He states the obvious — such wage settlements would trigger a spiral of price rises and further wage claims — then issues a threat. Free collective bargaining must be exercised responsibly. If not, the Government is prepared to re-impose wage controls.

- Fiscal policy

[illegible]

expenditure, the Monitoring Group noted.

It acknowledged that there are good reasons for using a budget deficit to moderate recessions, but was concerned that "the budget deficit seems to have taken on a life of its own".

It argued that policy should be aimed at reducing the size of the deficit, and considered the circumstances for doing so were likely to be favourable in 1981-82, when more economic growth is expected.

It called for a specific target — reduce the deficit to 5 per cent of GDP.

Muldoon tells us that continued restraint in Government spending is "essential", but if overall economic and social policies are to be successful, there are areas (notably salaries and wages) where expenditure increases are unavoidable. We are told, too, that tighter economic conditions have had "unfavourable effects" on both the revenue and expenditure sides of the Government's accounts.

And whatever the Government has done to curb its spending, it has budgeted to spend $10,917 million this year (after providing $250 million for supplementary estimates). That is $1784 million (almost 20 per cent) more than in 1980-81.

It aims to collect $1219 million more (an increase of 16 per cent) than last year — a grand total of $8827 million. Which, obviously, leaves a deficit *of $2090 million to be* met from borrowing.

All this borrowing, we are assured, is part of the plan "to underpin the level of economic activity in 1981-82" and to "smooth the transition to the expected growth phase beyond".

As the resultant export and investment-led expansion begins to become apparent, "the degree of fiscal stimulus will need to be reduced", which means the Government will be wary that the public sector does not grab resources needed by the private sector to meet the nation's growth and development objectives.

"It will, accordingly, be necessary for the Government to take a long, hard look at its expenditure requirements and revenue sources."

- Monetary policy

The Monitoring Group noted an element of investment uncertainty resulting not from the response of interest rates to inflation, but from doubts at the Government's attitude to flexible interest rates.

"It has sometimes been seen to be directing monetary policy against increases in the money supply; at other times the overriding objective has appeared to be the easing of interest rates themselves."

The Monitoring Group recommended that the "consistent" aim of monetary policy should be to restrain the growth of the money supply, and that any deviations from that aim to meet particular circumstances should be explained clearly to both the financial institutions and the public.

The Budget gives a brief reminder of stop-go policies (known in some quarters as fancy footwork).

In 1980-81, the Government's stance was "neutral", and both the narrowly and broadly *defined money supply* measures (M1 and M3) grew a bit more slowly than the rate of inflation, which helped to dampen inflation "without unduly constraining economic activity".

But conditions early this year were tighter than anticipated and the Government took steps to ease the resultant interest rate pressures.

More recently, there has been evidence of demand picking up and private sector credit is growing strongly.

The Government "welcomes" the signs of economic recovery, on one hand, but is anxious to avoid too much credit expansion ("which would impair the prospects for reducing inflation and the overseas deficit").

Financial institutions are therefore warned that the Government "is determined to maintain a firm grip on the growth rates of the money supply and credit aggregates . . ." Any signs of their accelerating "unduly", then "appropriate action will be taken".

First impressions suggested the Budget was atypical, for election year, by not buttering up the voters with goodies that would be paid for next year. But maybe the Claytons Budget — the Budget you have when you're not having a Budget — has its election-year benefits after all. By taking few of the firm steps that he might have taken to curb inflation, Muldoon at least avoided having to dispense a dose of something nasty.

Aviation

Air NZ cornering travel market with discount fares

by Warren Berryman

AIR New Zealand is rapidly cornering the travel market through a network of tour wholesalers offering discounted airfares which competitors cannot legally match.

While the Ministry of Transport turos a blind eye to the activities of the state airline, travel agents and other airlines which observe the regulations are losing business to those which do not.

The resultant *de facto* deregulation of air fares is providing Air New Zealand with net proceeds sometimes just over half the legal fare shown on the ticket.

The heavily discounted tickets are available from a network of wholesalers connected with Air New Zealand.

The Travel Agents Association of New Zealand has complained — complete with documentary evidence — to the ministry. It is concerned that agents selling tickets at approved rates are losing business to discouoters, and that discounted tickets are not available to all the public.

The Government has a responsibility under its bilateral air agreements to ensure fair and equal opportunity of competitioo for foreign carriers serving this market.

These carriers, which promote the New Zealand tourist destination abroad, have also complained to the ministry about unequal treatment. They want the law to be equally and equitably enforced.

Last week, *NBR* documented the case of Air New Zealand tickets being openly sold for 30 per cent less than the ministry's approved fare.

As *NBR* went to press last week, a rival airline (not the one mentioned in last week's article) bought an Auckland-London fare from a tour wholesaler.

The Auckland-Los Angeles leg of the jouroey, marked Air New Zealand only, was issued on Air New Zealand paper by United Travel Services. The fare shown on the ticket was $995, plus $25 departure tax.

The second leg, from Los Angeles to London, on British Airways paper, was also issued by United Travel Services. It showed a fare of $US727 (NZ$872).

The total legal fare shown on the tickets was NZ$1867 (using the offical exchange rate of $US1 to $NZ 0.83) or about $1850 at the exchange rate used by the airlines.

The purchaser of the two tickets paid $1099 for both and received a receipt from the wholesaler for that amount.

On the condition that *NBR* not reveal his name or the name of his company, this wholesaler agreed to tell how he could sell a *$1850 air* ticket for $1099.

United Travel Services kingpin Barry ("the Banker") Fenton, was able to obtain what amounted to net fares from Air New Zealand and British Airways, he said.

"I can get net fares from some other airlines. So Barry the Banker and I sell net fares to each other and charge each other a fee for doing it.

"At the moment it's a cosy little cartel. It hasn't been bust to date. It could be bust any day somebody else got into it.

"The work we've done would make it easy for anyone else to do it. But at the moment the carriers are being just a little bit circumspect," he said.

The travel agent who charges MOT-approved fares takes a 9 per cent commission.

In a net fare situation, the airline negotiates a net fare with a travel consortium able to *provide* a substantial volume of traffic.

The travel wholesaler sells the ticket at a price the market will bear and keeps the difference.

The simplest way for an airline to provide a net fare to a wholesaler is to advise the wholesaler of the rock-bottom price per ticket provided that so many seats a month are filled.

There will be no commission. The wholesaler buys from the airline at that price, sells for what he can get, and takes the profit.

A more complicated method is for the airline to charge the full MOT-approved price for the ticket and rebate the wholesaler with money ostensibly earmarked for advertising, promotion, brochures, and so on.

In either case the result is the same — a net fare.

The airline is simply buying a bigger market share at the expense of its yield from passenger revenue.

The wholesaler told *NBR* that in the past, the levels of over-riding commissions, rebates, and advertising and promotional support — when deducted from the fare — gave the airline the same as it would have received had a net fare been charged.

If the $1850 ticket sold for $1099 had gone to a travel agent for resale, the agent could have deducted 9 per cent from the $1099 bringing the wholesaler's price down to $1000.

The wholesaler said he worked on an average mark-up of 8 per cent, so on average he would pay United about $920. After deducting United's mark-up (if any), the yield to the airline would be just over half the face value on the ticket.

Air New Zealand marketing manager Norm Searle said Air New Zealand received the full approved fare for tickets sold.

He declined to be drawn on the question of rebates to tour wholesalers.

But as industry sources point out, the *difference* between the full fare shown on the ticket and the price actually paid must be met by someone — and tour wholesalers are not running a charitable society.

Travel agents are unanimously opposed to the net fare concept. But they feel the discounted fares should be available to everyone on an equal-competitive basis.

The web of discounting threatens to shut Air New Zealand's competitors out of the market.

United Travel Services, with 110 agencies throughout the country, is the largest grouping.

United is tied up with Atlantic and Pacific and Air New Zealand Associated Companies (a wholly-owned Air New Zealand subsidiary) in Gitaway Holidays.

Gitaway agents are offered substantial over-riding concessions for selling Air New Zealand and British Airways.

The Link sells a substantial number of Air New Zealand tickets at discounted prices. The Link group of companies holds the general sales agency for Sabena, which it bought from Jetset's Izzie Liebler.

Jetset, with nearly [illegible] outlets, is Australia's biggest group. It was formerly involved in heavily discounting Air New Zealand fares there.

Now Jetset has formed a joint travel venture with Nathan Travel in New Zealand, breaking Nathan's long-standing ties with Pan American.

Other smaller agencies, such as Budget Travel and Gulliver Travel, have become involved in discounted Air New Zealand tickets.

It is widely rumoured in the marketplace that one of Air New Zealand's competitors is offering net fares, not to a select group, but to all comers.

Sharemarket

Remember '73 — a good vintage that went sour

by Klaus Sorensen

THIS sharemarket has a distinct feeling of "deja vu" about it. Remember 1973? — all those new floats at the top of the market and all those overpriced industrial shares?

Some believe the warning bells can be heard when new floats come on to the market at a steep premium, and certainly 1973 bore more than its fair share of overpriced issues with the likes of Montana, NZ Light Leathers and McKechnie Bros.

The market is now being plagued by investors asking the "where to from here?" question — and as many brokers trying to come up with the answers.

The short answer must be that nobody knows where the market will go from here.

The longer answer is that the market will rise or fall depending on what the institutions think, what the ordinary investor thinks, and what their advisors can talk them into.

Others believe the danger sign of a toppy market is a sudden rush of brokers letters, reassuring investors. The latest crop of brokers' letters take different approaches, but all reach the same conclusion.

According to Auckland broker Buttle Wilson and Co, "although we acknowledge the potential for some short-term easing in market tone as buying support retreats pre-budget, and as shareholders are required to allocate funds to a growing number of cash issues, we do not foresee a wholesale shakeout as predicted by some commentators.

"This would require significant selling pressure from investors who are disenchanted with the market and its prospects. The market intelligence we are receiving does not support this view."

Buttle concludes that "while the three influences of budget, election and cash demand, will precipitate a drift in trading over the next few months, we remain confident about the longer-term outlook as the factors which lifted the market to its current position are in our opinion, still applicable."

O'Connor Grieve, in its July newsletter, attributes the current downward trend to the election, internal and external deficits and the high level of market indices and consequent floats and cash issues, but concludes "against these negative factors we reaffirm our stance of an optimistic outlook for the market in the medium to long term."

Jarden and Co takes the most scientific approach, citing overall profitability growth, dividend growth related to the inflation rate, and historical comparisons (with the 1973 peak) of dividend yields and price/earning ratios.

The facts it has produced lend rather more substance to its conclusion that "in the short term the market appears to be in for a period of consolidation around current levels. However, because of the positive outlook for the economy and company profitability, we are optimistic on the prospects of the market in 1982."

Jardens has taken total profits of the 22 major companies for the March 31 year and calculated that first-half profits increased 7.2 per cent, from $70.5 million to $75.5 million, but second-half earnings increased 48 per cent, from $68.6 million to $101.3 million.

The comparison between the Consumers Price Index and dividend growth shows dividends were up 13.7 per cent in the period from 1976 to 1981, compared with 14.4 per cent for the CPI. In 1981 dividends were up 15.2 per cent (CPI 15.4 per cent), compared with 18.4 per cent in 1980 (CPI 16.8 per cent).

Probably the best comparison is that of dividend yields and price earnings ratios.

On June 29, 1973 (five days before the top of the last bull market) the average dividend yield was a low 3.8 per cent and the average price earnings ratio an unbelievably high 14. The current market is operating on an average 6.4 per cent yield and a 7.2 PE — less than half the 1973 market assessment of earnings.

It is now history that the 1973 bubble burst as the oil price-induced recession took control of the economy and share prices — new floats and all — took a tumble.

Investors in Montana and NZ Light Leathers saw their original investment more than halved as international and domestic economies put paid to prospectus dividend predictions.

So investors in the latest industrial floats might like to consider their investment in relation to current dividend yields and PEs — and make sure their yields allow a margin for any "discounting for uncertainty" — in case the market turns against the new issues.

But while it is easy to question the brokers' reasoning, there are a number of fundamental factors underpinning the market absent in 1973.

The energy-based development strategy, like it or not, is likely to have a considerable effect in righting the current balance of payments difficulties with the potential for major exports and import substitution.

The country is facing the first real economic recovery for at least seven years — Gross Domestic Product is predicted to rise to between 2 and 4 per cent — and analysts are predicting real (that is, more than the inflation rate) profitability growth in the current year.

One analyst told *NBR* he was picking a crop of "outstanding" results for the first six months of the current year, and believes, using both international and local criteria, the all important PE ratios are still at bargain basement prices.

But as if all that was not enough, investors have to cope with a bewildering array of other imponderables.

There are the cash issues, the possibility of significant overseas investment interest, and the oil and gas exploration floats.

They are having to decide whether to invest their spare cash in the NZFP premium issue, or go for broke (and that oft-dreamt of beachhouse) and invest in the oil explorers.

The NZFP cash issue has set the market back and the analysts expect most institutions will have to devote between one to two months' equity allocations to finance their entitlement to the issue.

But even the largest institution shouldn't have too many problems. The AMP Society held 5 million NZFP shares at December 31, 1980, so the latest issue should cost it around $2.1 million — a relatively modest amount in relation to the last published total portfolio value of $156.7 million.

The analysts believe our lower, and therefore more attractive, price earnings ratios will also inevitably attract more overseas investors and several brokers have been already courting foreign custom.

The two oil and gas exploration floats are also expected to attract overseas interest, once the issues are subscribed for and listed, and there are already fears that locals' desire for a quick profit could result in a NZ Petroleum situation — where the majority of shares are held overseas.

One big attraction for overseas oil investors will be the relatively low ratio of market capitalisation to available exploration funds — not to mention the fact most licences are close to existing oil and gas producing areas.

Overseas oil explorers are priced (in terms of market capitalisation) at anywhere from 10 times to several hundred times cash content. The promoters of the current issues — particularly NZ Oil and Gas — are confident of overseas buying interest and claim Australian investment newsletters have already given the new floats the "drum".

Finance

The business week

Alloy Steel Ltd's directors advised of a further cash takeover offer. The second offer is for $3 per share compared with earlier **Mace Engineering** offer of $2.50 and is for a minimum of 50.5 per cent of the share capital.
Bendon Industries issue of 3.2 million shares closed immediately after being heavily oversubscribed.
Chenery Holdings Ltd: Unaudited net profit after tax for March 31 year $813,546 (last year $478,152). A final dividend of 12 per cent was recommended. The directors also propose a cash issue of one for every five dollar shares, at a $1.50 premium. New issue shares will not participate in the interim dividend for September 30 half year.
Consolidated Minerals will make a share placement of one share for every four held at 17 cents per share. The shares being issued are part of the holding of **Mining Houses of Australia** with which a joint venture has been made to investigate the Transit beach rutile deposits.
Crown Consolidated Ltd chairman R B Weir, announced that on August 3 **Crown** will purchase the business of **McKenzie Motors Ltd.** Crown's Timaru-based subsidiary, the **Canterbury Co-operative Farmers Association** will operate the business. Payment will be in part cash and partly by the issue of 178,000 ordinary shares on August 3.
Greggs Ltd takeover offer for **Wilson Distillers Ltd** is extended to July 27. To date acceptances, together with shares already owned by **Greggs Ltd**, amount to over 96 per cent of the total issued capital.
Morrison-PLM (Holdings) Ltd one for 10 bonus issue will be made from the asset revaluation reserve rather than the share premium reserve.
J Rattray and Sons Ltd: Half yearly dividend of 6.25 cents per specified preference share held will be paid on July 31.
Southern Cross Hotel (Dunedin) Ltd: Audited profit after tax for the year ended April 30 $269 (last year $20,910). The company blames the closure of Dunedin Airport from flooding for this slump. No dividend is recommended.
Tolley Holdings Ltd: After tax trading profit for six months to May 31 $1,119,000 (last year $719,000). An interim dividend of 6 per cent (last year 5 per cent) will be paid on September 8.
Trans-Ashburton Ltd: The note issue of 332,000 50 cent convertible notes closed on June 19, fully subscribed.
Waitaki NZ Refrigerating Ltd amended the interim dividend so that the whole 9 per cent will be tax free. The Commissioner of Inland Revenue decided that the balance of the share premium reserve be made available for dividend payments. The dividend will be paid on July 30.
Yates Corporation Ltd: Unaudited group net profit for half year to May 31 $1764 million (last year $978,000). An interim dividend of 10 per cent (last year 8 per cent) will be paid September 4.

Economic indicators

THE outlook for dairy exports remains good despite moves to purchase American surplus, according to a Ministry of Agriculture and Fisheries assessment. The Soviet Union maintains a high demand for butter because of its declining milk production.
MAF EXPECTS only a limited recovery this wool season.
Prices were expected to rise slowly during the second half of the year and more quickly in the first half of next year, said an *Agricultural Economic* report.
RETAIL sales for May were up 11.6 per cent on May 1980. After correction for seasonal changes in purchasing patterns the Statistics Department monthly survey shows an increase of 1 per cent compared with April 1981.

Fletcher takes on 'Gib' market

by Lindsey Dawson

BUILDING supplies giants Winstone's and Fletcher's met head on in the home handyman field last week when Fletcher Wood Panels launched a new wallboard product in a field previously dominated by Winstone's Gibraltar Board.

Fletcher's Sabreline Wallboard, launched after four years of development, is aimed primarily at the home handyman doing alterations and additions.

New product manager Deane Smart, who has overseen the spending of "some hundreds of thousands of dollars" in the development of the product, said that Sabreline was a world first in the particle board field.

And Fletcher's claims it will out-perform plaster-based boards.

A Winstone director preferred not to comment at this stage on the Fletcher product launch. But when John Ede, Winstone's marketing director, was interviewed by *NBR* recently about the Government's controversial $15 million helping hand, he said that the group's main strength was in its building materials activities.

Fletcher's market research results put estimates of the worth of the domestic wallboard market at about $15 million a year. If Fletcher carves off a sizable slice of that market it will not be happy news for Winstone.

Gibraltar Board costs have been rising — along with most other building materials. The price has gone up more than 21 per cent in the past 12 months.

A standard sheet of Gibraltar Board for domestic use is now about $9. The same size in Sabreline will cost about $7.95.

Sabreline is lighter than Gib Board (13 kilos a sheet, as opposed to 26) and can be easily drilled, planed or shaped without creating a mass of fine dust. Fletcher says in its first ads for the product that householders can hammer in nails to hand mirrors or pictures without having to hunt for studs.

And, more importantly for the hard-pressed house-owner faced with escalating costs for building materials, the new board is 9 per cent cheaper than Gib Board if bought in Auckland or Wellington, or up to 25 per cent cheaper in more remote areas. Fletcher is recommending a standard price for the product, no matter where it is bought, whereas Gibraltar Board is sold on a freight forwarding basis.

Fletcher also claims that Sabreline has more than twice the thermal insulation performance and is nearly twice as hard.

Sabreline is the first wooden wallboard which can be stopped and finished to produce a smooth surface ready for painting and papering.

Other wooden wall boards have to be fixed with a crack between sheets to allow for expansion and contraction due to humidity.

Fletcher has made the breakthrough by devising a unique method of heat-pressing which leaves the surface flakes moist and highly compressed, while the inner layers are under less compression. According to Smart this reduces the likely expansion between the joins.

The new wallboard has been assessed by the Building Research Association of New Zealand, and has received a BRANZ Appraisal Certificate. Smart said that about 80 local bodies around New Zealand had so far approved its use in homes.

It has also undergone the New Zealand Standard test for flame spread, smoke and heat generation and ignitability.

"The Building Research Association said the results showed that Sabreline met the requirements for safety in domestic dwellings," said Smart.

Stock Exchange weekly review

FOR WEEK FRIDAY JULY 10 TO THURSDAY JULY 16

	Last sale	Week's high	Week's low	Turnover
Airwork, 50c	125	125	125	300
8% pr	125	125	125	0
Ajex G K N	400	400	385	1300
Alcan, 50c	170	172	170	1900
A H I	285	298	285	25800
Alliance, 50c	125	128	125	5000
12% conv pr	108	112	108	2100
Allflex	130	130	125	18800
Allied Farmers	340	340	340	23900
12% conv pr	380	380	380	23200
Alloy Steel	225	...	...	0
A M Bisley, 50c	240	250	240	8200
Ampol Pet, 50c	247	...	...	0
A Bosven	147	150	145	8200
11.5% conv pr	125	147	125	1800
16 con pref	142	142	130	400
Andos Group	150	152	150	10900
5-6.5% pr	121	...	...	0
12% conv pr	130	130	130	400
ANZ Banking Group	370	370	382	27200
A Wright	370	...	...	0
'A' 6-7.5% pr	60	...	...	0
'B' 5-6% pr	80	...	...	0
A Barnett	315	315	300	900
A Ellis	48	40	46	1900
Ashby Bergh	305	385	385	1000
A O Cables	330	330	320	1200
Atlas, 50c	48	47	40	19400
10% conv pr	46	48	45	5000
Auck Gas	560	555	550	7450
Aurora, 50c	220	220	218	3800
10% conv pr	200	...	...	0
14% conv nts	105	155	165	1800
A C I	270	...	...	0
Autocrat Sanyo	285	290	285	900
Ballis, 50c	82	66	82	700
Ballins, 50c	129	129	126	29300
11% conv pr	112	112	110	5200
Bank NSW	525	...	...	0
Beach Petr, 50c	445	...	...	0
Bing Harris, 50c	85	87	85	3000
B N Z Finance	380	...	...	0
Bridgevale Mining	130	138	130	29200
Brierley, 50c	478	505	455	144000
10.75% spec pr	255	...	...	0
Bos, 50c	75	75	72	3100
B H P, 200c	2450	2600	2400	1500
Brothol, 50c	83	..	..	0
Bunting, 50c	160	160	145	4800
C P D	373	380	373	20500
10% conv pr	360	360	360	900
C F M	355	358	355	5200
12% conv pr	250	250	250	3300
Cant Flour	220	...	...	0
Cant Timber	375	360	375	3000
12% conv deb	375	...	...	0
Capital Radio, 25c	120	...	...	0
Capital Life, 50c	115	115	110	1800
Carbonic Ice	300	...	...	0
Carter Holt	440	442	440	5400
CBA Finance, 50c	315	320	315	55700
CCL	290	290	275	18400
Caremco	301	305	290	29200
12% conv pr	170	...	...	0
16% red spec pr	400	...	...	0
Chenery	350	360	350	2300
Ch'ch Gas	310	310	310	1000
Ch'ch Press	385	385	380	2300
City Realties, 10c	47	50	47	5000
Clyde Group	120	...	...	0
12% conv pr	115	115	115	100
Collingwood, 50c	55	55	50	400
13% conv pr	50	50	50	500
Col Motor	325	325	320	42300
Colyer Watson	125	125	125	2900
Comalco, 50c	270	270	270	300
Commend	175	175	175	4000
Con Metal, 50c	180	185	160	17800
conv pr	200	...	...	0
Con Minerals, 4c	18	18	16	108200
Cooks Wine	135	140	135	3400
Cory-Wright	250	250	250	172000
12% conv pr	225	225	225	22350
16.25% conv pr	200	200	200	38300
Crown Consolidated	227	228	215	48500
11% conv pr	215	215	215	600
C S R	800	...	...	0
Dalgety (NZ)	290	290	290	2800
Dalhoff & King, 50c	88	87	85	10200
Dasnes	170	170	170	200
D I C	220	220	218	18800
12% conv pr	185	170	165	300
Dingwall & Paulger	350	360	360	8400
D McL Wallace, 50c	102	105	102	7800
12% conv nts	75	83	75	1800
11% nts '82	105	105	105	1800
Dom Brew, 50c	140	143	140	144000
5% pref	120	...	...	0
11% conv pr	88	88	88	5800
Donaghy's	310	310	300	2800
12% conv pr	340	340	340	100
D R G, 50c	115	115	115	2000
Dunlop (NZ)	405	405	400	1650
4.5% pr	55	...	...	0
Ebbett	135	138	135	2200
Ebos, 50c	140	140	130	112066
E Lichtenstein, 50c	385	355	350	700
Emperor Mines, 10c	175	...	...	0
Endeavour	210	215	210	4400
E Adams	225	225	225	600
Europe pref nt	82	82	92	1000
F T C, 50c	132	135	128	15600
11% conv pr	111	113	111	6000
F Walmsk, 50c	85	...	...	0
Feltex, 50c	182	170	153	41600
5% pr	175	...	...	0
16% pr	172	172	170	2700
Firestone NZ	152	155	152	7600
Fisher & Paykel	320	320	300	11600
Fletcher-Challenge	251	258	251	170000
15% conv pr	105	105	106	7200
16% conv pr	430	433	430	5150
Fountain Corp	80	85	80	4500
Foveaux Radio	84	85	84	600
Freightways, 50c	186	200	186	36000
10% conv pr	155	155	155	500
Gear Meat	80	80	58	700
11.5% conv pr	55	88	55	600
G Court	180	180	170	2600

	Last sale	Week's high	Week's low	Turnover
G J Coles, 50c	400	...	...	0
Golden Bay, 50c	70	71	88	8300
Goodman Group	488	470	488	6900
14% conv pr	400	...	...	0
Grosvenor Props,	85	85	80	3500
Hallenstein	280	290	280	1500
Hauraki Enterprises, 25c	128	130	128	201000
Hawkins, 50c	100	110	105	7800
8.5% pr	28	...	...	0
H B Farmers	310	310	290	4700
13% conv pr	180	180	160	2800
Healing	270	275	270	8000
12% conv pr	200	...	...	0
H Pollard	600	620	600	650
10% conv pr	400	...	...	0
Henry Berry, 50c	176	180	176	31800
Holeproof	500	500	500	450
Hume Industries	165	165	165	12300
5-7.5% pt pr	40	40	40	1600
I C I (NZ)	226	232	226	16900
Ind Broadcasting	105	...	...	0
Independent News	240	240	235	11800
Ind Chem, 50c	200	200	200	17300
I Watkins-Dow, 50c	250	250	250	2700
James Smith, 50c	87	88	87	38200
14% conv pr	80	60	60	8000
12% conv pr	55	...	..	0
J Burns	93	98	93	16600
14% conv pr	210	...	..	0
John Edmond	240	245	240	500
J Webster, 50c	78	80	70	4400
12% conv pr	55	.	..	0
J Nathan	140	140	135	1300
J Rattray	275	275	255	1000
12.5% conv pr	195	..	...	0
L W Rudkin, 25c	85	88	85	25800
12% conv pr	125	125	125	200
Lanes, 50c	98	96	95	3300
L D Nathan	235	235	226	12500
9.5% conv debs	227	...		0
16.5% conv pr 90	235	235	230	1300
Leyland, 50c	200	..	..	0
Lion, 50c	160	153	150	94600
10% conv pr	156	156	155	4100
12% conv pr	120	122	120	19100
L & M Oil, 50c	37	40	37	12700
Lustroid	260	...	..	0
Mainzeal Corp, 50c	215	215	215	1400
16% conv pr	120	120	120	2100
Mair, 50c	305	307	305	900
11% conv pr	300	...	..	0
Manawatu, 50c	110	...	..	0
Manthol	215	...	..	0
Marac	410	415	410	2000
McAlpine, 50c	112	112	112	500
McKechnie	242	..	...	0
Midland	210	210	210	400
11% conv pr	195	195	190	10100
Min Resources, 20c	111	120	112	15300
M O'Brien, 50c	65	65	66	1800
12% conv pr	54	..	..	0
16 conv pr	60	50	60	1700
Montana, 50c	158	158	147	7200
M-P I M	210	...	...	0
Motor Holds, 50c	205	207	188	49300
Motor Trad, 50c	76	77	75	25800
5-8% pr	62	..	..	0
11.5% conv pr	52	62	62	2200
MSI Corpn, 50c	98	100	99	20200
12% conv pr	100	100	89	1800
Mt Cook	183	195	190	10700
conv pr	185	185	183	3600
M I M Holds, 50c	750	...	...	0
Nat Insurance, 50c	300	300	295	7600
Naylor	150	...	...	0
5% pr	30	..	..	0
Neil Holdings, 50c	61	62	66	54600
N Z Cement	135	140	135	6900
N Z F C, 50c	165	163	160	5800
11% conv pr	142	142	135	1100
N Z Farm Fan	220	220	220	34300
12% conv pr	165	...	...	0
14% conv pr	170	170	170	29200
N Z F P	412	413	405	50700
N Z I G	445	445	445	500
NZI 10% conv pr	265	280	265	600
N Z Light Leathers	35	35	35	200
N Z Motor Bodies	85	85	65	700
N Z M C	197	188	187	22200
N Z News	235	240	235	3100
N Z Petrol, 50c	600	600	750	5600
N Z Refining	160	180	156	6700
NZSB	95	86	64	288000
N Z Steel	227	227	220	7600
N Z United	600	600	600	1500
Nuhaka	220	220	220	200
Odlins, 50c	96	103	67	53700
'A' 6% pr	68	...	...	0
12.5% conv pr	75	75	75	10300
'B' 13% conv pr	76	78	75	1400
15% con notes	116	120	116	14000
Optical	65	65	65	2200
12% conv pr	50	50	46	1800
Otago Press & Prod	175	176	170	500
Pavroc Holdings	240	...	...	0
P O L Holds, 50c	220	220	210	600
Perm Invest	110	...	...	0
Phillipps & Impey, 50c	230	232	226	43200
Printing & Packaging	218	217	216	3500
11.5% conv pr	160	160	180	500
Progressive	460	482	476	14800
12% conv pr	620	626	620	400
Prop Securities, 50c	230	230	230	72200
Prud Building	135	...	...	0
Quill Humphries, 50c	120	120	115	1500
12% conv pr	105	...	...	0
Radio Avon, 25c	115	...	...	0
Radio Otago	103	103	88	2400
Regina	170	170	170	600
R & W Hellaby	68	101	63	18100
Reid Farmers	350	350	345	1000
Repco (NZ), 50c	60	60	90	9400
Revertex	305	320	305	600
Rex Consol	300	300	300	11900
15% conv pr	165	186	186	300
Rheem, 50c	225	225	225	2400
Rothmans, 50c	160	151	147	27600
R W Saunders	265	...	...	0
Salmond	240	240	240	201300

	Last sale	Week's high	Week's low	Turnover
Scholfield	275	...	...	0
Scott, 50c	95	97	95	9800
12.5% conv pr	85	90	85	1100
Selby	280	280	280	1600
Skellerup, 50c	395	395	390	5300
5-7.5% pr	40	..	..	0
Smith Biolab, 50c	180	180	180	400
12% conv pr	155	155	150	1400
Smiths C M	165	185	160	800
Sthn Cross Hotel	140	..	..	0
Sthn Cross Mins, 20c	38	40	38	21700
S F M	285	280	283	53500
Spedding, 50c	73	73	70	6300
12% conv pr	75	..	..	0
Steel & Tube, 50c	143	144	143	31000
Suckling	160	180	158	17500
Taylors	150	...	...	0
12% conv pr	165	...	...	0
Tolltherm	153	163	153	3700
12% conv pr	130	130	130	500
T J Edmonds	305	310	305	600
Tolley	200	200	195	5100
Tourist Corp of Fiji	40	..	.	0
Trans Ashburton, 50c	60	60	60	8000
TNL Group, 50c	114	115	113	36500
10% conv pr	88	.		0
12% conv pr	105	105	105	500
Trans (Nth Cant)	140	140	140	2600
13.5% conv pr	110	118	113	800
15% conv pr	115	.	.	0
U E O, 50c	125	128	125	54900
6.5-7.5% pr	115	..	.	0
12% conv pr	110	111	110	5700
15% conv pr	72	77	72	7900
United Bldg	115	115	110	200
United Publishing, 50c	305	305	300	700
Vocation, 50c	89	95	89	500
12% conv pr	72	75	72	900
12.5% conv pr	73	73	70	200
Waitaki-NZR	252	256	248	39100
11.5% conv pr	205	205	202	3800
Walker & Hall	450	.	.	0
Wattie, 50c	180	182	179	292400
12.5% conv pr	112	112	111	3800
Wulgas	430	430	410	400
Westbridge	250	285	250	400
Wilkins & Davies	440	440	440	10050
5.75-7.5% pr	58			0
W Jeffery	160	160	160	100
12% conv pr	140	140	140	600
Wilson & Horton	425	430	425	1000
Wilson Distillers	155	.	.	0
Wilson Neill	120	120	112	20900
12% conv pr	165	170	165	400
Winstone, 50c	75	75	72	228000
12% conv pr	53	53	52	3500
W'Wths (NZ)	72	..	..	0
Wormald	330	330	315	1200
5-7.5% pr	172	...	..	0
W Sutherland	105	110	105	400
Yates Corp	440	445	415	8000
12% conv pr	155	165	165	400

Liquor industry

Wine prices beating inflation rate

by Warren Berryman

NEW Zealand wine prices will have increased at a rate much greater than the inflation rate when post-budget prices take effect this week.

A bottle of McWilliams Bakano or Cresta Dore, costing $1.15 in 1970, was retailing for about $4.40 — a 274 per cent increase — according to an *NBR* random survey in Auckland last week.

Over the same period, the Consumer Price Index has risen 220 per cent.

These two medium-to-good-quality wines, having stood the test of time, are considered good indicators of wine prices generally.

A top local white, Nobilo's Muller Thurgau, retails for about $13.30 — double the price a Frenchman would pay for a world class Chateau.

Last month, the Government changed the basis for taxing wine from a 20 per cent sales tax imposed at wholesale level (and imposed on the wine, bottle and cork, transport costs, cartons and markup, to a flat rate of 50 cents a litre on the wine alone.

In the past two weeks, wine price increases have more than wiped out the benefit the new tax regime might have held for consumers.

The Budget increased taxes on spirits and beer. Spirits were increased by 50 cents a bottle; beer by 3 cents a jug.

Tax revenue from beer has risen about 167 per cent in the past four years. Tax now constitutes more than 52 per cent of the price of draft beer.

During that time, beer has lost market share to wine.

The Brewers Association has registerd its strong protest at what it complains is inequitable treatment.

Wine exports last year totalled about $650,000.

Exports of just one Lion Breweries product earned more than $1 million in foreign exchange last year. And exports of New Zealand Wine and Spirits, Tia Maria, are running at about $6 million a year from the company's newly installed plant.

The Government's wine plan doubles the price of many imports by putting a penal impost of $4.50 a litre duty on imported wines costing less than $2 a litre fob.

Wine importers have responded to the $4.50 duty:

● Some have cancelled orders of wines costing less than $2 fob. This denies the consumer access to quality wines from the United States, Australia, Portugal, and Spain.

● Others have simply asked their suppliers to increase the prices. If a wine was formerly bought for $1 a litre, it is cheaper for the importer to pay $2 for the same wine and pay 85 cents duty than to pay $1 for the wine and pay $4.50 duty.

When the foreign wine supplier doubles the price of the wine from $1 to $2, New Zealand pays double the amount in foreign exchange and Government collects 85 cents duty when it would have collected $4.50 duty for the $1 wine.

One importer, with a shipment of Greek wine on the way before the new policy became effective, considered dumping it in the harbour in a Kiwi version of the Boston Tea Party; it was easier to dump the wine than pay the duty and try to sell it.

In the end, he sold it at a loss.

Beer prices, meanwhile, have increased from 41 cents a jug in 1970 to $1.41 today — a [illegible] per cent increase.

This increase reflects the mounting level of duty and sales tax on beer to a far greater degree than the price paid to the breweries.

French firm selected

by Stephen Bell

THE long delayed decision on Post Office implementation of a packet-switched data network has gone to SESA (Société d'Etudes de Systemes d'Automation), a subsidiary of the French CIT-Alcatel group.

News of the selection comes at the same time as a recent effort by France's Intelmatique export venture to make its presence felt here. Intelmatique handles a range of electronic data retrieval products including videotex (viewdata) and document facsimile.

SESA is responsible for the Transpac packet-switching network, which provides efficient data communications throughout the EEC countries. The company has also done packet-switching work in New York.

CIT-Alcatel is in turn a subsidiary of the vast French conglomerate, CGE (Compagnie Generale d'Electricite).

Implementation should start in September and the first packet-switched links should become available by the end of next year.

Normal data communications ties up a physical line, of part of the information-carrying capacity of such a line for the duration of a connection, but obviously pauses will occur in the message, effectively wasting communications capacity.

Packet-switching avoids this by dividing data into "packets", delivered to their destination according to an "address" appended to the "packet". Packets for different destinations and from different sources can be carried along the same line or part of a line and the addresses sorted out at the destination.

The first-stage network will have a trunk line connecting nodes in Auckland, Wellington and Christchurch.

Government administration

The 'underground' economy: hidden taxable income

"The Government is conscious of the present widespread debate on the need for tax reform which, to many people, means simply a reduction in the level of taxation. Those who seek radical changes to the tax system, however, should appreciate that these cannot be achieved overnight."

With those words on Budget night, Prime Minister Rob Muldoon effectively killed immediate hopes for substantial tax reform.

And, at the same time, he gave continued incentive for the many thousands of New Zealanders who operate in the twilight world of the subterranean economy as their tax burden becomes heavier.

NBR reporter Allen Parker goes underground . . .

SUBTERRANEAN, underground, black, informal . . . the name doesn't really matter. What is more important is that most New Zealanders at one time or another have indulged in it — legally or illegally.

Commonly, Dad offers the local mechanic cash in hand if he'll fix the car in his spare time at half-price.

Or the neighbourhood chippie fixes the electrician's fence in return for a rewiring job on his own home.

It is, of course, the ages-old system of barter, stretching back as far as the Stone Age when Caveman Rob swapped some mammoth meat for a megatherium coat that Caveman Bill had lying around.

Life was simple — until Caveman Bruce wandered into town with mammoth meat, megatherium coat *and* a cigarette lighter for cosy Ice Age nights in the cave. And so the barter system began to crack at the seams, to be replaced by a standardised form of value (shells, coins, notes . . . money).

The invention of money, in turn, led to other inventions — banks, bank managers, the cash register and that most pervasive of 20th century influences, the taxman.

And here endeth the *NBR* potted history of business practice.

Facetious perhaps, but it does lead to an important point; nobody likes paying tax.

At best we regard it as a necessary evil. At worst, daylight robbery. And, by fair means and foul, we all try to pay as little as possible.

In such an atmosphere, means of sidestepping tax payments flourish.

Self-styled tax-hater Bob Jones describes it thus: "There was a time when tax avoidance was considered anti-social and tax evasion contemptible. I believe that is no longer the case and both practices are now almost admired and certainly socially acceptable."

Tax havens have become an international growth industry and tax avoidance a way to fight the system that we imagine, rightly or wrongly, oppresses us all. The attitude leads automatically to the phenomenon that has been described as the underground economy.

Description is easy, but definition is virtually impossible. This informal economy is recognised as substantial, but no-one can say exactly how substantial because no-one can agree on an acceptable definition of what the underground economy should incorporate.

Internationally, various learned economists and organisations have suggested ways to measure this activity. But all are generally regarded as crude or ineffective or simply incomplete.

Consequently, estimates of its extent vary widely. One estimate suggested that as much as 30 per cent of gross domestic product in Italy was made up from the underground economy.

British researchers, on the other hand, say that although a substantial proportion of the population indulges in the underground economy, it only represents some 2 to 3 per cent of national income. Some estimates put the figure at 7 per cent, others higher, others lower.

In New Zealand, similar efforts have met with the same lack of success. Treasury, for instance, tried to look at the problem earlier this year but gave up because there are so many difficulties in defining the criteria and assumptions that must inevitably be used when trying to measure the scale of this economic activity.

At present, Treasury has no official view on the size of the black economy.

Late next month, leading economists will try to have another crack at the exercise when they meet for their annual conference in Dunedin. One of the planned workshops will look at tax evasion and avoidance.

Inland Revenue figures, however, do provide a starting point for the scale of underground economic activity in New Zealand.

The recently-tabled annual report details tax discrepancies revealed by departmental audits and investigations of business taxpayers, including companies.

In the 1980-81 year, $93 million of understated taxable income was revealed by these probes, resulting in an extra $38.9 million in taxation for the Government coffers.

(Tax collecting is a profitable investment area, according to the report: "In cost/benefit terms, each inspector produced an average yield of approximately $8.37 for each dollar of expenditure. The yield for auditors amounted to $4.60.")

So, undeniable statistics start the underground economy as a $100 million a year enterprise.

But that figure does not include "understated taxable income" that was not discovered, tax discrepancies by individual wage and salary-earners and undeclared exchange of goods or services.

Inland Revenue says no figures are available for avoidance or evasion by wage and salary-earners because the examples are just adjusted automatically on the general account.

But a departmental spokesman says a "substantial" amount of money is avoided or evaded by these tax-payers.

While individually, the amounts may be small, collectively there are far more individual taxpayers on IR12 forms than the 150,000 employers in New Zealand.

Certainly, while taxation continues to remain such a high element of earnings the incentive to minimise it, legally or otherwise, will remain equally high.

The Accountants Society, for example, has told Inland Revenue Minister Hugh Templeton about its concern at "the apparent growth of tax evasion and tax avoidance schemes" and "will support any thorough investigation which would lead to a well-considered reform of the tax system," according to its *Accountants Journal*.

Proponents of tax reform were disappointed by Finance Minister Rob Muldoon's Budget earlier this month.

Despite the continuing pressure from the private sector for reform, all Muldoon would promise was "careful consideration" of the Planning Council's *An Agenda for Tax Reform* "with a view to implementing a comprehensive reform of the taxation system."

So while the debate continues, individual and corporate attempts to evade or avoid tax will similarly continue, with the subsequent loss of revenue that surely runs into hundreds of millions of dollars a year.

Undeclared income detected by alert taxmen has more than doubled in the last four years from $42.7 million to the latest $93 million.

And this is despite heavy penalties for illegal tax evasion. Successful prosecution can lead to a fine of up to $2000 an offence — and each year is regarded as a separate offence.

Separately, the Commissioner of Inland Revenue can impose penal tax, which can be up to three times the amount of the deficient tax as well as the deficient tax on top.

Last year 143 New Zealanders were convicted for offences against the Inland Revenue Act and penal tax of $1.1 million was imposed on just under 2000 people or organisations.

As well, tax inspectors have wide powers and can assess undeclared income themselves if no records have been kept by the taxpayer.

Such assessment will be done at retail value and the onus then falls on the taxpayer to prove the assessment is incorrect, a difficult task without records.

A common method of tax evasion or avoidance is the exchange of services or goods — a return to the basic barter system.

Such exchange is not illegal, but it is still regarded as a business transaction and the law demands it be declared as income.

Such a transaction does not need to be made at retail prices or rates; there is no law that insists a business must make a profit.

But unless records are kept of the transaction, the tax people will assume the transaction was made at the retail level.

The temptation to bypass this official step and avoid tax is a powerful inducement to break the law.

And until major tax reform relieves the burden, many New Zealanders will undoubtedly continue to do so.

FOOTNOTE: For students of the Stone Age, a megatherium was a huge slothlike creature that hung on to trees and killed its victims by falling on them. Comparisons between the megatherium and taxation are invited.

Business

Analysing annual accounts: AHI

by Klaus Sorensen

IT MUST give a comfortable feeling to have shares in Alex Harvey Industries Ltd.

The Auckland manufacturer has established itself as New Zealand's largest exporter of manufactured goods, and recently has diversified into the forestry and tourism industries.

It has also proven itself with an enviably consistent earnings record and its current financial position should ensure AHI can carry out its diversification programme on a large scale.

But in some ways the latest annual report for the year to March 31 1981 is a disappointment.

It has a number of gaps in its attempts to make a detailed disclosure of its business activities, and directors seem to have decided that anything which occurs after the balance date need not be discussed in an annual report.

The company's purchase of a 23.6 per cent interest in Carter Holt and a 51 per cent share in Vacation Hotels, are noted, but apparently because they were made after balance date, there is no reference to the motivation in making these investments or the strategy which will be used to develop them.

The purchases were both made during April and since the notice of annual meeting is dated June 30, shareholders must assume the directors would have had time to compose a few paragraphs on the company's new investments.

Managing director Cliff Cairns has made a praiseworthy attempt to detail the factors which influenced each activity during the year but there are few references to changes which have taken place in the accounts.

A breakdown of the company's expenses — particularly as they totalled a massive $284 million in 1981 — would be useful for shareholders to assess where the company is likely to feel cost increase pressures most.

The company's taxation situation is complicated, and even though the end result is a handsome tax credit, shareholders often appreciate a simple explanation from the directors on the company's current and anticipated tax position.

As well, the company has adopted tax effect accounting, but the ramifications of this is not readily apparent to the layman from the reference to it in "Note 13" of the accounts.

The company also suffered an increase in the extraordinary items provision and while this is treated as a below-the-line deduction, there is no explanation of such things as a "reduction in the value of investments" of $395,000.

There are also several references to the loss of refrigerated shipping container exports worth $6.5 million, but there are no reasons given for this sizeable loss of business.

As reported, the net profit fell 7 per cent from $16.5 million to $15.3 million, and as might be expected the most interesting part of the accounts is the profit and loss account.

Sales increased by a comparatively low 8.2 per cent from $290 million to $314 million, while expenses of production, distribution, selling and administration (not detailed) rose at a slightly faster rate of 9.2 per cent from $260 million to $284 million.

The company carried out a partial refinancing programme during the year, converting some short-term liabilities into longer-term debenture borrowings, and the result was a much higher rise in financing costs.

Depreciation was up from $7.8 million to $9.1 million, interest on mortgages and fixed term loans was down slightly from $1.5 million to $1.4 million, but interest on debentures rose 78 per cent from $1.8 million to $3.2 million.

"Other interest" charges were virtually unchanged at just over $2 million, leaving a net trading profit before investment income and taxation down 20 per cent from $16.3 million to $13.6 million.

Investment income was up from $259,000 to $284,000 while the net tax credit for the year was up from $1.6 million to $3.1 million. Less minority interests of $1.7 million, the net profit before extraordinary items was down 7 per cent, from $16,545,000 to $15,263,000.

The notes to the accounts refer to the adoption of tax affect accounting, and give a breakdown of how the final tax credit was arrived at.

The notes show that the profit before tax of $13.9 million attracted a tax expense of $6.2 million ($7.4 million last year). Export incentives amounted to $7.6 million ($7.5 million), prior year adjustments arising from overprovisions and realisations of losses carried forward were $1 million, plus various smaller items of forest development expenditure, stock valuation adjustments, non-assessable income, and regional investment allowances, the total tax credits are $9.3 million.

This left a net income tax credit of $2.8 million ($1.3 million), to which is added a deferred tax benefit on an investment allowance of $282,000, leaving a net tax credit of $3,136,000.

The note on extraordinary items shows a provision of $214,000 for the actual and estimated losses on closing down or disposal of certain operating plants, a $158,000 net goodwill writeoff and a $395,000 provision for the reduction in value of investments (not detailed).

The net extraordinary item is $683,000 after a $84,000 capital profit from the sale of an investment.

Another below-the-line deduction is a transfer for "increased cost of replacement of fixed assets" of $7 million ($7.6 million) which brings this provision up to $39 million.

Reserves of $84 million are made up of a $5.5 million share premium reserve, a $1.5 million capital asset revaluation reserve, the $39 million asset replacement reserve, exchange losses of $213,000, and retained earnings of $38.5 million.

Term liabilities are up from $28.2 million to $37.5 million, mainly as a result of an increase in debenture stock from $18.5 million to $27 million.

Current liabilities and provisions are down from $69.8 million to $64.9 million, following a reduction of the bank overdraft from $13.9 million to $10.9 million and a fall of loans repayable within one year from $13.2 million to $8.4 million. Sundry creditors are up from $39.4 million to $41.5 million.

The directors say in their review that two private placements of debenture stock were arranged amounting to placements of $10.7 million and receipts as at March 31 of $8.3 million.

In addition, a $11 million overseas loan has been drawn.

Fixed assets are up from $99.2 million to $105.5 million, forest establishment costs are $3.4 million, intangibles, such as goodwill and the Turoa ski-field development costs, are valued at $2.6 million, and investments, which include Government stock, shares in other companies and other investments, are $1.5 million.

Current assets are $127 million, comprising mainly sundry debtors of $54.9 million and stocks and raw material of $66.2 million.

The directors say the fall in profit in the current year does not reflect the earning capacity of the company, given normal trading conditions, and Cairns explains that a number of significant "one-time" costs were incurred in the year, and while they affected the profit, "will provide benefits in the current year and in future years."

One of the main items was the installation of the machinery for manufacturing the company's new Decrabond roofing tiles, which encountered commissioning difficulties. Lost production and sales resulted in "an under-recovery of costs of approximately $1 million".

Market research: Tuck finds how consumers tick

SINCE the appearance of our article outlining the Fishbein/Tuck theory of consumer behaviour (*NBR*, June 29), we have been asked about its application to advertising and advertising research.

The American behaviourist Martin Fishbein developed the theory that behaviour is based on behavioural intentions which depend on attitudes and norms. A person's attitudes derive from beliefs about the act and also from norms — or what other people think about that kind of behaviour.

Mary Tuck took these principles which had been used only in social science applications and employed them in market research for advertising.

If the objective of marketing and advertising is to change consumers' attitudes to brands and consequently their buying behaviour, it is essential to first establish the existing behaviour pattern.

"Unless we have a model of people's behaviour, we cannot proceed," states Mary Tuck. So she has devised a step-by-step plan.

Elicit the salient beliefs either in mass or individual studies. Relate attitudes to the act or behaviour and not to the product. Your attitude to a Rolls-Royce may be highly positive, but to buying one completely negative.

Ask "How do you like using Persil?" not "What do you like about Persil?"

Don't forget the importance of the norms in shaping behavioural intentions. Asking who are the kinds of people who buy the product will often disclose the norms. Distinguish behavioural intention from actual behaviour. Someone who had fully intended to buy your product may have been diverted by competitive activity or faulty distribution.

Give thought to the specific level on which you are operating. The more specific and precise the intention the more likely it is to be related to subsequent behaviour. The nearer the time of purchase, the more accurate the response will be.

In research practice, it is possible to produce scales which measure the strength of the beliefs held, then to discover the salient beliefs common to a group of respondents and so quantify them.

When research has uncovered the salient beliefs it is then necessary to plan advertising that will reinforce those beliefs which are favourable to the purchase of the product or to change the unfavourable beliefs or norms.

When in Britain research discovered that normative behaviour — based on the opinion of other women — decreed that drinking Guinness stout in pubs was not acceptable, the company released a campaign in which the advertising showed the product in elegant up-market situations in order to change the norm.

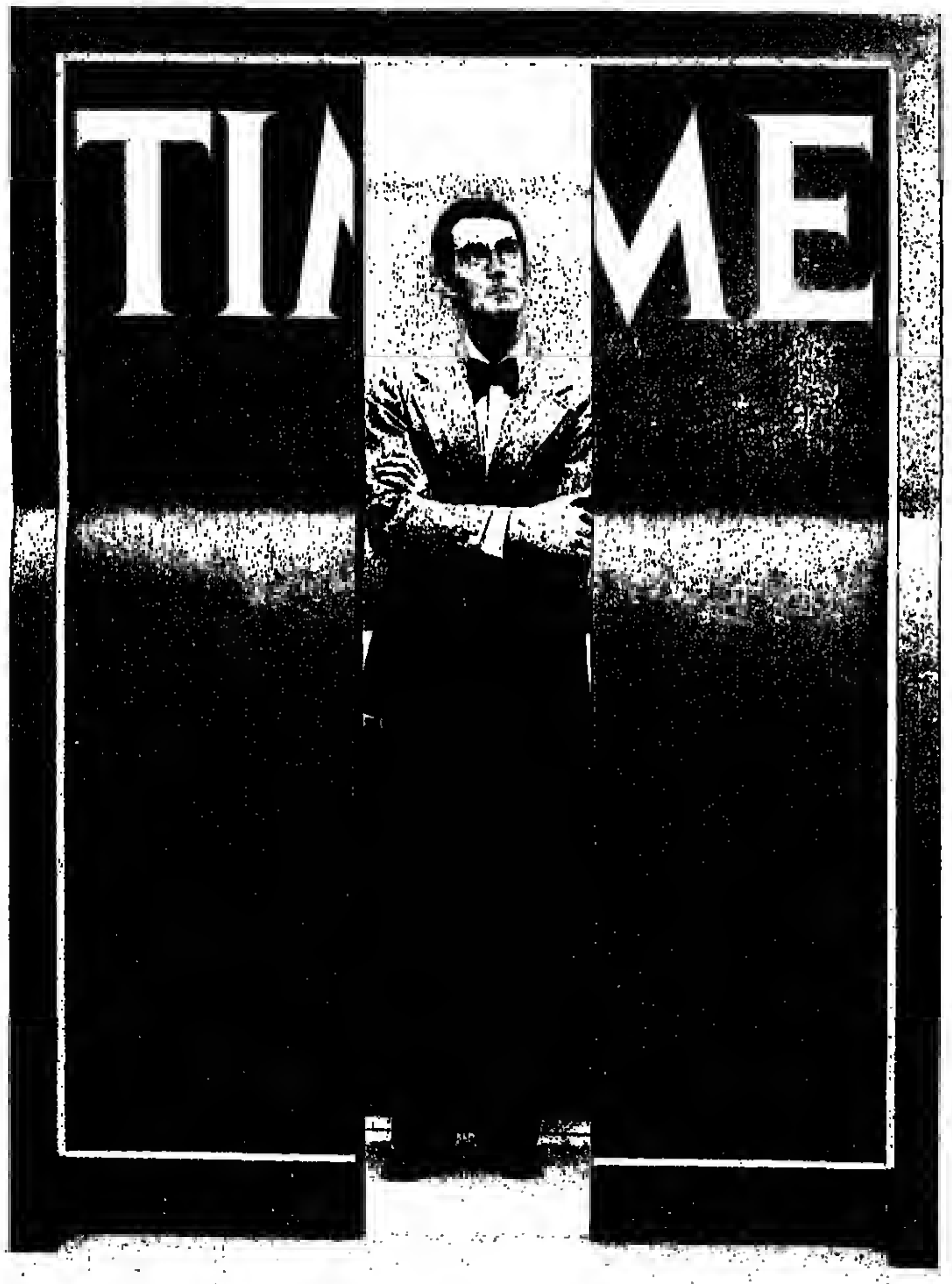
In the field of products, Tuck declares, advertising does the agenda setting for us, largely selecting the product range that we think about.

Advertising determines how people perceive a product and stereotypes beliefs about it.

Research has shown that where a product has been heavily and continuously advertised, the salient beliefs held can often be a playback of the advertising message.

Mary Tuck conveys two strong convictions about her model. The first is that the study of consumer behaviour can be reduced to its simplest terms when we have only two variables to consider. The second is that this theory of choice can hold up against all practical tests.

Those convictions, expressed with considerable personal force to the New Zealand Market Research Society, are likely to have more effect on what she delightfully calls "the persuasion industry" than her book "How Do We Choose?" did. — Grev Wiggs



Polls aid democracy

"PUBLIC opinion polls fit very well into our scheme of democracy," visiting market research expert Mary Tuck told *Admark*.

"They are preferable to a referendum system which has the power of absolute fiat. There is no recourse, no return from the decision made by referendum.

"Referenda result in government by the mob which is the antithesis of the Westminster system. We send our members of parliament into office as delegates to take such measures as are believed best after hearing the evidence.

"I see public opinion polls providing one more piece of data, an input that should be there.

"The more that MP's know what people want, the more constraints are imposed on their deliberations.

"Polls are an important tool of democracy — the more polls the better."

Tuck described New Zealand researchers as "wildly in touch" with what was going on in their field in other parts of the world.

"I presume this comes about because they want to compensate for this country's isolation.

"In my observation they are technically and methodologically well equipped and are pretty good at setting up effective relationships between agencies, researchers and marketers.

"You have an alert Market Research Society to act as guardian of standards," she said. — Grev Wiggs

Glossiest of the glossies

IN the spate of new glossy magazines hitting the news stands Auckland's *City Girl* magazine keeps on keeping on. *City Girl*, along with New Zealand's answer to *Penthouse*, *Jetset*, and the tabloid *Boating and Nautical News*, are stablemates of Glamour Publications Ltd, headed by managing director Mike McCann.

City Girl has struggled with a poor image from previous ownership several years ago and continuity has not been helped by a succession of editors.

But under new editor Sheridan Keith the magazine, now called *New City Girl*, has polished up its looks and...

The magazine is very much in the *Cleo* and *Cosmopolitan* mould, aimed at women between 18 and 30, but it has the advantage of local content.

City Girl sales manager Suzanne Corbett said it has been a long haul overcoming the magazine's "chequered past" but that advertising support was improving. The magazine's August issue will be up 40 pages to 144, and will contain 80 pages of new summer fashions.

Keith has a deep interest in the arts and is including an arts section in the magazine as well as fashion, beauty, lifestyle and show business copy.

The company's other glossy, *Jetset*, is a sort of antipodean *Playboy*, complete with unclothed girls down to the last freckle, mole and stretchmark. *Jetset* has no shortage of girls willing to pose, says editor Barry Thompson, but not many make the grade in good looks, so the girls featured are not all home-grown.

Thompson says that the magazine is upmarket ("we don't feature cars worth less than $20,000") and includes in-depth social and political stories. Articles on Jim Anderton and Robert Muldoon will appear in forthcoming issues.

Jetset, published bi-monthly, was selling very well and the distributors, Gordon and Gotch, were asking for more, he said. — Lindsey Dawson.

Controversial ad honoured

A TELEVISION commercial, which drew heavy public flak because it was allegedly in poor taste, has won an international award.

The ad, featuring the "captain" on a sinking ship drowning his sorrows with a Tip Top Choc Bar, won first prize for Colenso Communications Ltd of Auckland in one of the FACT award categories.

This was the first year that FACT, the Federation of Australian Commercial Television Stations, opened its award contest to the Pacific and Asian region as well as to Australian ad companies.

Ironically, the award-winning ad has now been replaced by a similar one, where the dying ship is clearly named "SS Indulgence" instead of giving the impression that it is the Titanic.

When the ad was first screened box-watchers were very vocal about the commercialisation of a disaster. Critics included *Auckland Star* TV page editor Barry Shaw, and 1ZB broadcaster Merv Smith.

Colenso account executive Garry Thompson said the agency was surprised by the flak caused by the ad. "It was intended to be satirical and the initial concept was that it should be part of a humorous series based on historical events.

"We envisaged maybe Custer with a Choc Bar at his last stand, or Nero keeping his cool while Rome burned. The criticism was disappointing."

The new "sanitised" version has the ship hitting an island instead of an iceberg, so that there is no connection with the Titanic tragedy.

Colenso also won third place for its ad for Tip Top cones entitled "Teenage Queen", which featured a blonde hometown girl and her romance with the boy scooping cones at the drugstore.

And Colenso's associate company Whitaker Advertising did it again with its "Dear John" ad for BASF tapes. It got two firsts in separate categories.

Dobbs-Wiggins McCann-Erickson in Wellington also won a FACTS award for its seatbelt ad for the Ministry of Transport.

Awards were presented at the Wentworth Hotel, Melbourne, on July 8. There was to have been an international judging panel, but due to Telecom strike problems all the awards were judged in Australia.
— Lindsey Dawson

Sticky problem

WE are reminded of the American car manufacturer who couldn't achieve worthwhile sales in a South American country with a car named Nova. In Spanish, the name means "doesn't go."

The 3M company is introducing what it glowingly describes as a "new invention" that "could revolutionise informal message sending and reminders".

Called "Post-it Notes", the product consists of pads of canary yellow paper in a range of sizes with an adhesive on the back of each sheet.

You write your message and stick it in a prominent place where the recipient can't miss it — on doors, chair backs, telephones, typewriters and so on.

And it will come unstuck, 3M promises, without leaving a mark.

The worth of the company claim for a "giant communications breakthrough" you can judge for yourself. But the trade-marked name "Post-it", used in this market, looks like a communications breakdown.

The associated words "Post-it notes" in our usage must carry the primary meaning of a brief letter to be sent by the Post Office delivery services. Americans widely use the word "mail" where we use "post".

So where we "post" a letter, the Americans "mail" one, to be delivered by the mailman not the postman.

The 3M company is using the word "post" in the other meaning of "stick" — perfectly good English, too — as in "post no bills".

Good marketing practice might have suggested a semantic adaptation for English-speaking as against American-speaking markets but, on second thoughts, "Stick-it Notes" adhering to the telephone handpiece, for example, might not have achieved the right degree of acceptance for this stationary stationery.
— Grev Wiggs.

The OK from Okker

AS every Lion-browned, gumbooted Kiwi knows, any Aussie is, by definition, one-eyed or offside.

But when the Aussie is an advertising manager for a multinational advertiser and shows a predilection for New Zealand advertising agencies, who's going to blow the whistle on him?

When *Admark* met Andrew Hunter who is responsible for a big bikkies budget for Monsanto agricultural chemicals in the South Pacific area, he was quite prepared to be quoted as saying that, in his opinion, New Zealand agencies are among the best anywhere.

"Look at the Kiwis in top positions in agencies in Australia and around the world — that has to say something for your standards," he said.

"We originally interviewed a small, carefully selected group of New Zealand agencies and quizzed them on different facets of agency service. They were highly professional and we found it difficult to separate them.

"Since we made the selection, we have achieved a productive working relationship in an incredibly short time and find it extremely effective."

Hunter considered that the smaller size of our agencies might be responsible for the speed with which it was possible to build an agency-client rapport.

"You breed more all-rounders so clients are not limited by the narrow specialisation often found in big overseas agencies.

"There is a good balance in the importance accorded to both client and agency viewpoints.

"Clients can relate to creative people here free from the barriers imposed by guruism."

And, to deflate our egos a trifle, Hunter believes that in the specialised area of agricultural advertising, Australian and New Zealand agencies set the standard for the world.
— Grev Wiggs.

Transport

Road transport's $30 million isn't really a handout

by Bob Stott

THE Budget address contained one of the clearest statements yet on the extent of the subsidy being paid to road transport:

"Because road user charges do not yet fully cover the costs of the wear and tear imposed on the roading system by heavy vehicles and the costs caused by the construction standards required for such vehicles, a subsidy of $30 million for the benefit of the road transport industry and its customers is being provided in the 1981-82 Estimates."

This suggests that the Government intends to recover the full amount of road user charges.

The legislation allows for an annual increase not exceeding 20 per cent in these charges, but larger increases can be levied after reference to Parliament. So it is likely that action will be taken in the near future.

There are other ways of adding up figures, as the Road Transport Association pointed out after the Budget had been presented. This year $245 million will be provided for roading through the National Roads Board, yet overall, total taxation (on petrol, sales tax on vehicles etc) will come to more than $600 million.

Of the $245 million, $122 million will come from motor spirits taxation and $83 million from road user charges. Adding the $30 million subsidy on heavy vehicles and an extra sum for development roads brings the total up to $245m. The difference between this sum and the more than $600 million total tax take on road transport disappears into Government coffers.

Therein lies the problem. Road transport as a whole, including private motoring, pays more in tax than is spent on roading. In other words, road transport is used as a revenue source.

Nevertheless, heavy trucks are not meeting their full costs (presuming the basis on which the road user charges are calculated is fair and equitable.)

And on this basis, road transport is losing at least as much as New Zealand Railways, if not more.

In this year's Estimates, the Economic Stabilisation Vote shows the sum of $88,530,000 set aside for Railways' losses ($29,800,000 of which is for urban services). The previous year $74,772,000 was set aside for this purpose and $89,772,000 actually spent.

Although these figures cannot be directly related to the deficit total which will be shown in the yet-to-be-tabled Railways annual report to Parliament, it is clear that the Railways loss this year will be no more, and maybe a little less than the previous year's loss of $55,804,555, plus interest charges of $31,107,400.

The Estimates show that $26,296,000 of last year's Stabilisation money paid to Railways went on urban services and the same pattern is followed this year, suggesting that at least half of the Stabilisation money is going on providing main centres with commuter services.

The balance — that is the total NZR loss less interest and less urban service costs — is a good deal less than the $30 million subsidy being paid to heavy road transport.

On top of that the urban service figure does not include the cost of branch-line operations, long-distance passenger trains and other social services, which are calculated by Railways to be near $60 million.

In other words, if Railways' interest burden is wiped (and it arose out of the price freeze of the early 1970s), and if Railways is fully recompensed for urban and social services, then the NZR books are almost certainly in credit.

Elsewhere in the Budget address the formation of a railways corporation is referred to. The address says that the corporation will operate on a commercial basis "subsidised only for those specific services which the Government requires the corporation to provide on a non-commercial basis."

And so on the Government's figures, the new railways corporation is almost certainly going to be profitable, as it will be recompensed for social services and probably will have its interest burden wiped.

And also on the Government's figures, road transport will be $30 million in the red this year.

But how can road transport operators cope with an increase of $30 million in road user charges on top of the $83 million, they are already paying? Carriers are going broke at an alarming rate — in the past three months 27 firms went under, firms which operated 212 trucks.

If they push up their rates to cover increased road user charges more and more people will buy their own trucks because they will be convinced that do-it-yourself transport is cheaper than hiring a carrier.

Such ancillary operators very often lack the ability to work out the full costs of running their own vehicles — farmers who buy costly trucks and use them only once or twice a month are good examples. Yet every farmer who buys his own truck knocks another nail in the coffin of his local carrier.

Yet at the peak of the season when the farmer cannot provide enough transport of his own to shift stock to the works or whatever, he expects his local carrier to be able to step and give a hand. But by then maybe his local transport firm has gone broke.

Farmers are used as an example, but other industries also use their own vehicles. However, rural carriers are currently suffering (most of the firms mentioned above as having gone broke are rural carriers). It is fair to use farmers as the scapegoats.

It should be obvious that the nation needs a strong road transport industry — and it seems the Government is determined to recover the extra $30 million from that industry.

This will mean a rise in road transport rates, which will quite likely encourage more people to buy their own trucks which will in turn weaken the position of the licensed carrier even further.

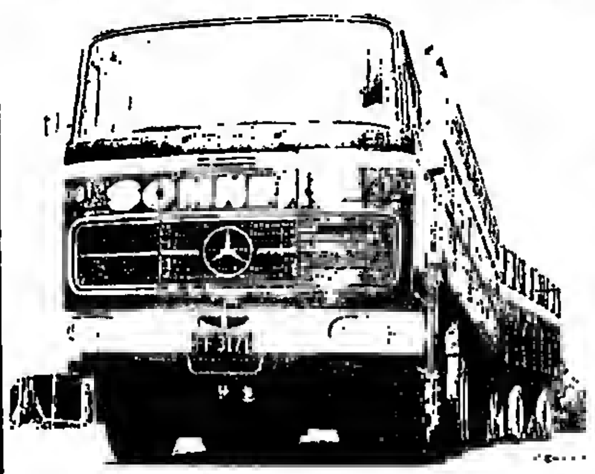
Ancillary operators do not have the same obligations as licensed common carriers, yet they pay the same fees. It might be an idea to give the licensed carrier some advantage in return for his responsibility to always be on hand when needed.

Such an advantage should not be in the form of a lower rate of user charges, for that would only confuse the issue. These charges are supposed to relate to road wear, and obviously a carrier's truck of a given weight causes as much wear as a farmer's truck.

But it might be possible to refund sales tax to licensed common carriers, or something similar.

By making such concessions road carriers could afford to pay more in road user charges and so wipe their so-called "deficit" of $30 million without a corresponding increase in road cartage rates.

The $30 million would still be coming from the taxpayer's pocket, of course, but road transport would no longer be seen as a "lossmaker", in the same way that it seems the new Railways Corporation won't be a "lossmaker", either.



Overseas trade

Selling NZ to China . . . in the local language

by Allan Parker

KIWI exporters are hoping they have a paper tiger on their hands with publication of the first promotional brochure on New Zealand products to be printed entirely in the Chinese language.

More than 17,000 copies of the booklet, *New Zealand Industry and Agriculture,* will be distributed to key officials and buyers throughout the People's Republic of China.

They will be able to read, in their own language, about the benefits of buying from such diverse organisations as the Wool Board, AHI Roofing International and Pacific Steel.

Illustrated articles in the 24-page, four-colour booklet deal with New Zealand products and processes including carpets, roofing materials, forest products, animal by-products, shipping services and agricultural machinery.

Other articles background the trade in wool, dairy products, geothermal technology and agricultural expertise.

Overseas Trade Minister Brian Talboys has contributed a foreword and other contributions include messages from the president of the New Zealand China Trade Association, C R Howell, and the commercial counsellor at the Chinese Embassy, Ruan Jiageng.

The publisher is Melbourne-based David Syme and Co Ltd, which publishes the *Age* newspaper and a Chinese language quarterly, *Australian Agriculture, Industry and Technology.*

The New Zealand version, according to Wellington managing editor John Goldfinch, was translated and printed in Hong Kong, where the Melbourne company also operates a publishing business.

David Syme and Co was the company involved in helping the official Chinese daily newspaper produce an English edition. The first issue appeared on news stands throughout China last month.

Goldfinch said two key problems were the translation and distribution. He described the translation as "complicated and potentially troublesome unless it achieved great accuracy".

"It was absolutely essential to produce a written script that conformed exactly with the Chinese requirements."

Distribution was worked out with Chinese authorities and the New Zealand Embassy in Beijing (Peking). Recipients of the booklet will include officials, corporations, state agencies, commissions and factories.

China is New Zealand's fastest growing export market, said Goldfinch. Sales quadrupled in the three years to June 1980 to $117 million and in the latest 12 month period showed a further "substantial" increase, he said.

$200,000 Aussie hard-sell

by Lindsey Dawson

THE Aussies are coming. Their government is spending close to $200,000 setting up the Australian pavilion at the New Zealand International Trade Fair, opening at Auckland on July 29, in an effort to persuade us to buy Australian goods.

It will be Australia's biggest yet trade promotion in New Zealand.

"We make no bones about it — you are very important to us," said assistant trade commissioner Phil Sibree. New Zealand buys $850 million worth of Australian goods each year, taking 65 per cent of its manufactured exports.

The International Trade Fair is held every four years, and the Aussies have been prominent exhibitors, as well as holding specialist product fairs from time to time. This year the big effort is going into heavy industrial equipment.

Senior Auckland trade commissioner Ron Hines said Australian participation had been aimed purposely at areas of New Zealand industry where new technology could be most effective.

"We are certainly making no secret that we are out to impress upon New Zealand industry the value of Australian technology which is only a short hop across the Tasman," said Hines.

"Exhibitors have been carefully chosen to represent the areas of manufacturing of most benefit to New Zealand's industrial growth," he said.

At the end of the 1977 fair the Australian camp had made direct sales totalling $594,000, with a further $8.8 million worth under negotiation. They aim to do even better this time.

Health and nutrition

The food we eat, the diseases we catch — statistics taken over years tell something, but not enough

by J V White

WE are what we eat is a catchphrase with an undeniable element of truth, but different people with different diets can end up looking and behaving much the same.

Medical practitioners and health researchers regularly draw comparisons between certain foods and diseases in efforts to link them.

Recently, for example, one researcher claimed that his studies established a connection between the increased incidence of certain diseases and a changing diet which contains insufficient fibre.

The research showed, he said, that we should try to return to eating as much fibre as we did 60 years ago. Only in this century have the various diseases he described — particularly cancer and heart disease — become so common.

First, this takes as read that 60 years or so ago we ate more fibre than we do today. But the only way this can be proven is by comparing what we ate — or rather, what our grandparents ate — in the earlier years of the century with present eating patterns. This is a statistical exercise.

Second, the relationship between dietary changes and other factors, and changes in the incidence of certain diseases, lie in the field of medical research.

Both are fraught with difficulty. Over the past 60 years there would be a close relationship between the development of broadcasting and the incidence of the same diseases.

In more recent times, there seems to be a statistical relationship between increased wearing of jeans and an expansion in the number of illegitimate births!

Statistics of food intake have always been a bugbear to nutritionists and economists alike — particularly with time series going back too far into the past.

In recent times, there have been household surveys in which participants keep consumption records. Whether those who are prepared to go to the trouble of keeping data are typical of the community is a moot point.

But the sample surveys that have been done are of no use in trying to discover what housewives bought for their families 60 years ago. Thus we must depend on national statistics.

The only practicable method is to ascertain national production, subtract exports, add imports (if any) and try to allow for changes in stock. The final figure is national consumption which, divided by mean population, should give per capita consumption.

It is never as simple as that. With some foods there is considerable home production which does not appear in the official statistics.

This was particularly true of the earlier period, when the proportion of population on farms, or in rural areas, was much greater.

The biggest problem with national food consumption statistics, however, is that the figures represent not actual consumption but amounts available for consumption. In these days of what are claimed to be high food prices and almost universal use of refrigerators and deep-freeze units, waste should be reduced.

Nevertheless some households will make much better use of food than others by using scraps and leftovers. This will apply particularly with meat and bread.

Wastage from hotels and restaurants and many institutions is probably high, and even in households the humble but nutritious bread-pudding is probably not often served.

In spite of these caveats, statistics of trends in food consumption are worthy of study — provided that the limitations are recognised.

The data in the table cover main items of interest in the present context. For simplicity, many items have been omitted — including fruit and vegetables, except potatoes.

Where reasonably firm figures are available — for example, bananas, apples and pears and oranges, there is little evidence of any significant changes in per capita consumption over quite long periods.

Two other factors may contribute to changes in diet. One is the increased number of better-quality restaurants offering somewhat different fare, even if steaks are probably still the most popular item. The other is the increasing popularity of health foods and some tendency towards vegetarianism and increased use of cereals, including more exotic varieties, and, of course, increased use of nuts, dried fruits and so on.

It is doubtful, though, whether these as yet affect more than a very small proportion of the population to any significant extent. Probably most people who buy "health" foods do so only to supplement their more traditional diet.

The following comments on individual items in the table may help in interpretation of the figures.

BUTTER: Figures for butter consumption for 1910 could not be assessed. Figures of production, less exports, gave an unrealistically low result. In those days, with a large proportion of the population still in rural areas, home production was high and, of course, much of this was sold in towns and even cities. This would have been true — although to a decreasing extent — right up to the time when butter was subsidised after World War II.

Although illegal, there is little doubt that much home-made butter — particularly from small holdings — was made and sold during the war. Because of the lack of alternatives and high customary usage, butter rationing was felt more strongly than with other types of food.

High consumption in the period up to 1970 reflected both the high level of subsidisation and lack of an alternative table spread.

CHEESE: Consumption remained more or less static until recent years, when a sharp increase resulted from the Dairy Board's promotion campaigns and increases in meat prices. Some fear of the cholesterol in the fat of meat may have been a factor, although most cheeses are made from whole milk and are about one-third fat. Nevertheless, cheese is a good food, easy to prepare and to consume.

MILK: As with butter, there are no statistics for earlier years, but it is likely that consumption has always been high. For years, all school children were provided with half a pint (about quarter a litre) of free milk, each school day. In 1967 when the first major trimming of subsidies took place, milk was exempted on nutritional grounds.

More recently, subsidies have been reduced and the price rises have affected consumption. But the milk-in-schools scheme was dropped, causing some controversy, and this probably explains the drop in consumption between 1960 and 1970.

BEEF: This includes veal, consumption of which is only 3 or 4kgs. Beef has always been the most popular meat but the 1910 and 1930 figures seem extraordinarily high and are probably suspect, perhaps through use of an excessively high weight per animal factor. Some error seems likely


J V White . . food for thought

because the consumption of sheepmeats was also high.

With meat, we again run into the problem of home production. In earlier times this would have been the only source of supply not only on farms, but also in country towns. But in those pre-freezer (and even pre-refrigerator) days, most animals killed on farms were sheep. This is probably still the case.

MUTTON AND LAMB: The consistency of sheepmeat consumption is remarkable. A full year-by-year study indicates some fluctuation in relation to beef consumption during periods when there were marked price differentials between the two meats. These would not seem to be great enough to have much effect on relative nutritional levels.

But the broad figures on mutton consumption conceal a change of considerable importance. Before World War II the bulk of our mutton consumption was ewe mutton from aged ewes. It was cheaper than wether mutton which was exported. Ewe mutton is much fatter and must have increased the cholesterol intake considerably, compared with the present consumption pattern.

The change in consumption levels reflected increased affluence and the introduction of a grading system to implement price control.

PIGMEAT: Again, there is a consistent pattern which suggests that dietary patterns are rather rigid, true of most countries. The maintenance of bacon and ham consumption is surprising, in the light of the high prices for these products.

POULTRY: Consumption of poultry is an exception to the rigid pattern and reflects the expansion of the broiler industry and the increasing popularity of convenience foods. In some overseas countries, particularly the EEC nations, broiler popularity has tended to level off because of lack of flavour. But here it has substituted for some red meat and because of its lack of fat could be of significance in the cholesterol argument.

EGGS: Again, there are no figures for the earlier years but consumption was almost certainly always high. Eggs did not carry a high subsidy, although there was one on transport. For many years the industry has been highly organised with supply determined to meet demand and any potential surplus disposed of in processed form, generally at a loss, to ensure that the local prices, under price control, are maintained.

It is thus not possible to determine what consumption would be under a free market, but it would not be likely to change much.

The cholesterol scare extends to eggs, and a few years ago the University of Otago medical school was teaching students that three eggs a week should be the maximum. In view of the heavy egg consumption in some quarters — for example, on farms — the three-egg theory may be suspect.

FLOUR: Although not a dominant source of food as in developing countries, cereals, mainly wheat, are important in the New Zealand diet (comprising about one-quarter of calorie intake and one-fifth protein).

The comparatively small variation over time again suggests adherence to an established pattern of food consumption. But it is important to note that the figures represent amounts available for consumption, not consumption itself.

With products such as butter and beer, there will be little or no waste, but this is not true of bread; some households insist a bread being as fresh as possible.

The main interest in cereals, however, centres on the fibre question. Throughout history people have expressed a preference for refined flour, which has been reflected in an ever-lowering extraction rate for flour (the proportion, expressed as a percentage, of wheat which is termed flour: the lower the figure the finer the flour and the more of the wheat going into bran and pollard, used mainly in animal feedstuffs).

Before World War II the extraction rate was 72, which is low. The worst of the wartime food shortages followed immediately after the war because of droughts, and the extraction rate was raised to 80 to make more food available.

When things settled down argument arose between bakers and nutritionists as to how far to lower the extraction rate. Nutritionists were concerned about the vitamin content of the bread, rather than the fibre, and more or less won the day. The extraction rate was set at 78, where it has remained and is quite high, giving us a much greater fibre intake than our grandfathers had.

ALCOHOL: Presumably alcohol does not enter into the fibre argument, or even the cholesterol controversy, although its consumption can add to obesity problems among others.

The figures have been included because of the quite extraordinary increases which are still taking place. It is difficult to believe that these can have had anything other than adverse effects on health, even if a large proportion of intake is centred on a relatively small proportion of the population.

Beer consumption between 1930 and 1979 has trebled from 40 to 118.7 litres. There has, I understand, been some decline in the past year or so, but wine intake, less than a litre in 1930, has gone up to 11.3 litres and is still rising.

Consumption of spirits was high before World War I. This prompted the prohibition movements in a number of countries. Subsequently it fell, but is now above the level of 70 years ago on top of the increases in beer and wine.

It seems that the increase in beer consumption took off about the time of World War II, but whether through stress or greater affluence as we came out of the slump it is difficult to say.

Drinking, and generally heavy drinking, seems to have become established as a social more and, unfortunately, during a period when the car population has gone up several-fold.

The relation of drinking to road accidents is well established, but any connection between excessive alcohol intake and disease is a matter for the medical profession. The death rate from cirrhosis of the liver, however, has gone up from between 50 and 70 per million of mean population in the 1950's to 150 to 190 in recent years.

* * *

This article has not been written to cast doubt on any particular nutritional thesis but to provide information in an area where there is much misconception.

The following points seem to emerge:

- As far back as records are available, food intake in New Zealand has been consistently high and has always included a large proportion of animal fats and animal proteins, and sugar.
- Fibre intake from flour has been greater in the second half of the period covered.
- Changes in the dietary pattern have been fairly limited but occasionally reflect substitution because of price variations (for example, types of meat, and margarine for butter).
- The spectacular change has been in alcohol consumption, which has gone up severalfold.
- Because the figures are on a national basis, the diets of particular groups may be different, either in pattern or quantity (for example, in rural areas or of pensioners or those who do heavier type of work).
- Because the figures are of quantities available for consumption rather than amounts actually consumed, some of the changes may be more apparent than real, reflecting less waste. This could be the case with bread, where wastage has been high and meat, which can be better utilised, for example, in the preparation of left-overs. The types of food fed to pets are also significant.
- There is need for much more research into food intake and not only in regard to disease. There is little that can be done about the past, but what is happening now will be the past in 1990.
- While it must be conceded that doctors are in a difficult situation when asked questions about diet, particularly by people who already have diseases such as cancer or heart problems, the profession might be more circumspect in its utterances.

Considerable harm can be done to any industry when its products are condemned. This may be fully justified where the evidence is incontrovertible, but not where it is still controversial (as, for example, with the cholesterol argument).

It is a little ironical that curtailment of dairy out put not only reduces production of suspect (perhaps) butter, but also of the milk powders so valuable for the undernourished in developing countries.

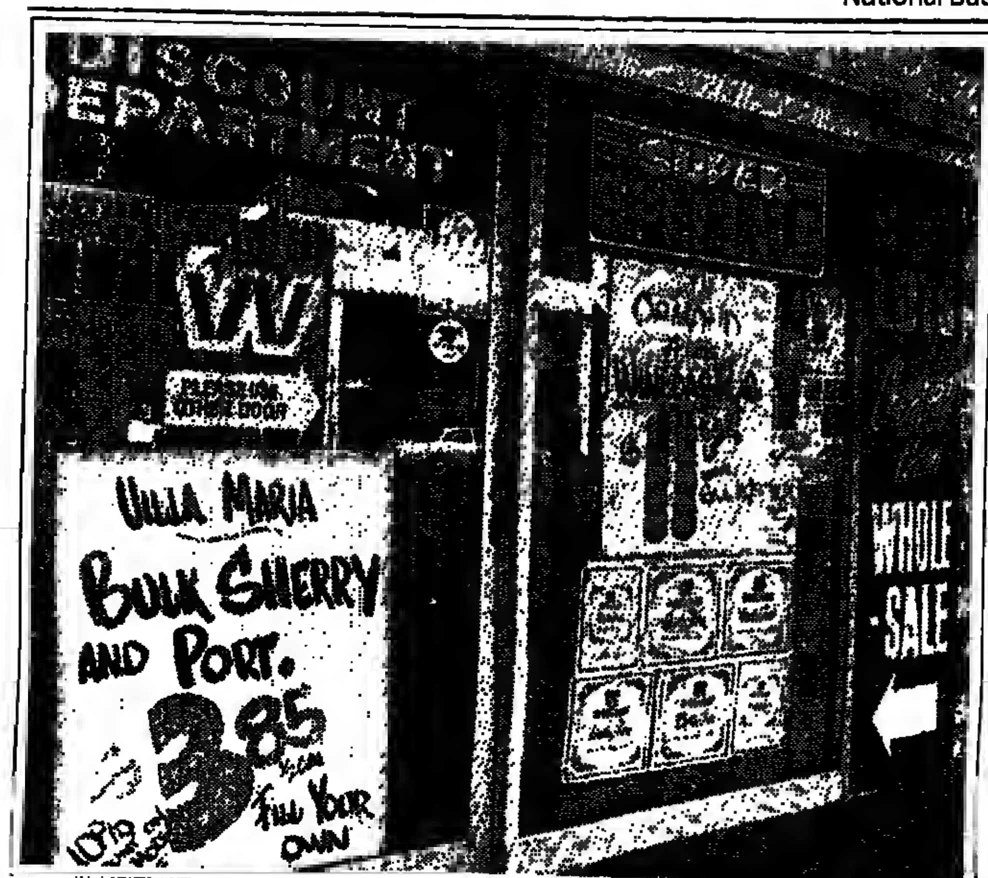
In the course of research for an article on a different theme I have discovered an account of the increasing incidence of cancer in the 1904 Year Book. The writer quotes statistics showing the increase in deaths per 10,000 of population from 3.69 for men and 3.67 for women in 1896, to 7.5 (men and 6.63 (women) in 1963.

This is a doubling in 17 years and had that rate of progression continued today's incidence would be about 60; in fact it is about 18 (men) and 15 (women) on 1977 figures. These do, though show a steady increase over the past decade.

NEW ZEALAND FOOD CONSUMPTION (per capita)

	1910	1930	1960	1970	1977
Butter Kg.	NA	15.56	19.18	18.18	14
Cheese Kg.	"	3.59	3.00	4.09	8
Milk (whole litres	"	NA	185	142	167
Beef & Veal Kg.	77.85	89.88	49.81	46.81	60
Mutton Kg.	37.22	34.40	37.00	30.90	30
Lamb Kg.	7.40	5.09	6.50	9.55	
Pork Kg.	NA	5.96	7.36	6.82	13
Bacon & Ham Kg.	"	6.59	7.73	7.27	
Poultry Kg.	"	1.50	1.50	5.91	10
Flour Kg.	"	85.90	82.27	73.93	72
Potatoes Kg.	"	83.59	51.38	69.92	57
Sugar Kg.	49.04	38.97	42.27	40.90	37
Eggs No.	NA	NA	288	312	270
Beer Litres	42.29	40.36	89.93	118.93	118.7*
Spirits Litres	3.35	2.14	1.23	1.82	4.0*
Wine Litres	0.87	0.73	1.87	5.49	11.3*
Tobacco Kg.	1.22	1.59	2.14	2.5	2.0

NA: Not available. *1979 figures †1978 figures.
Sources: Year Books and Abstract of Statistics.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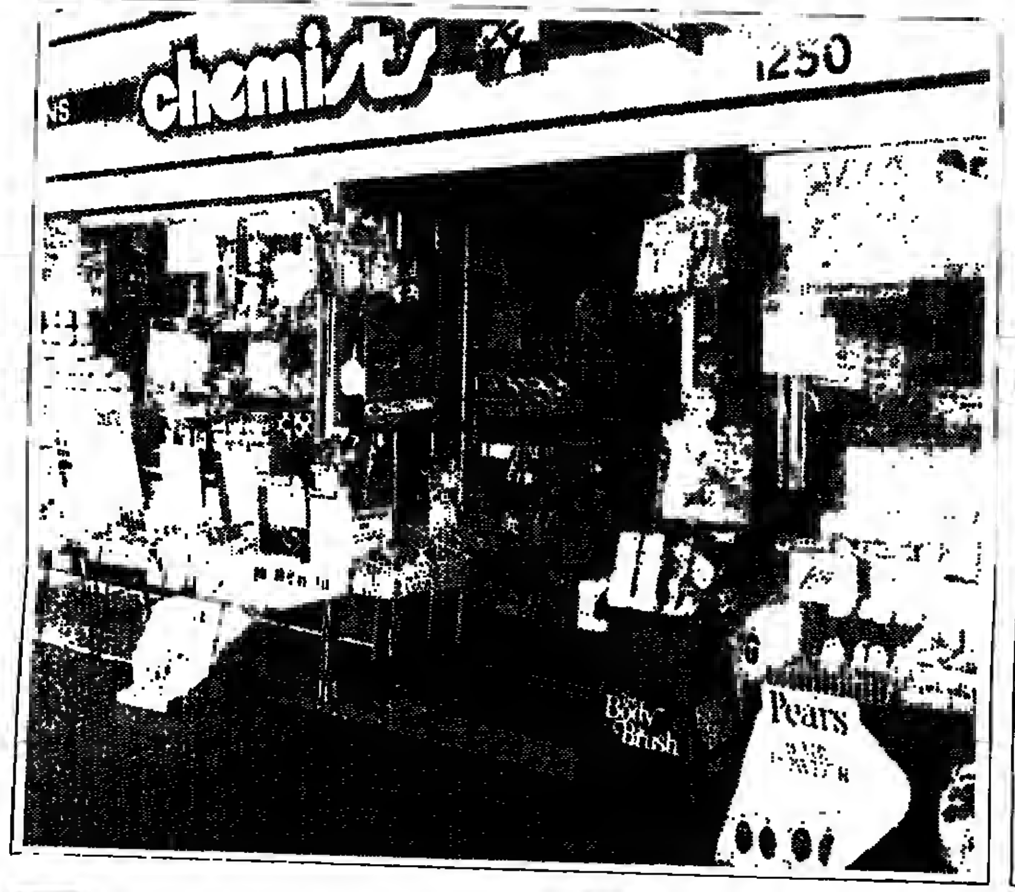
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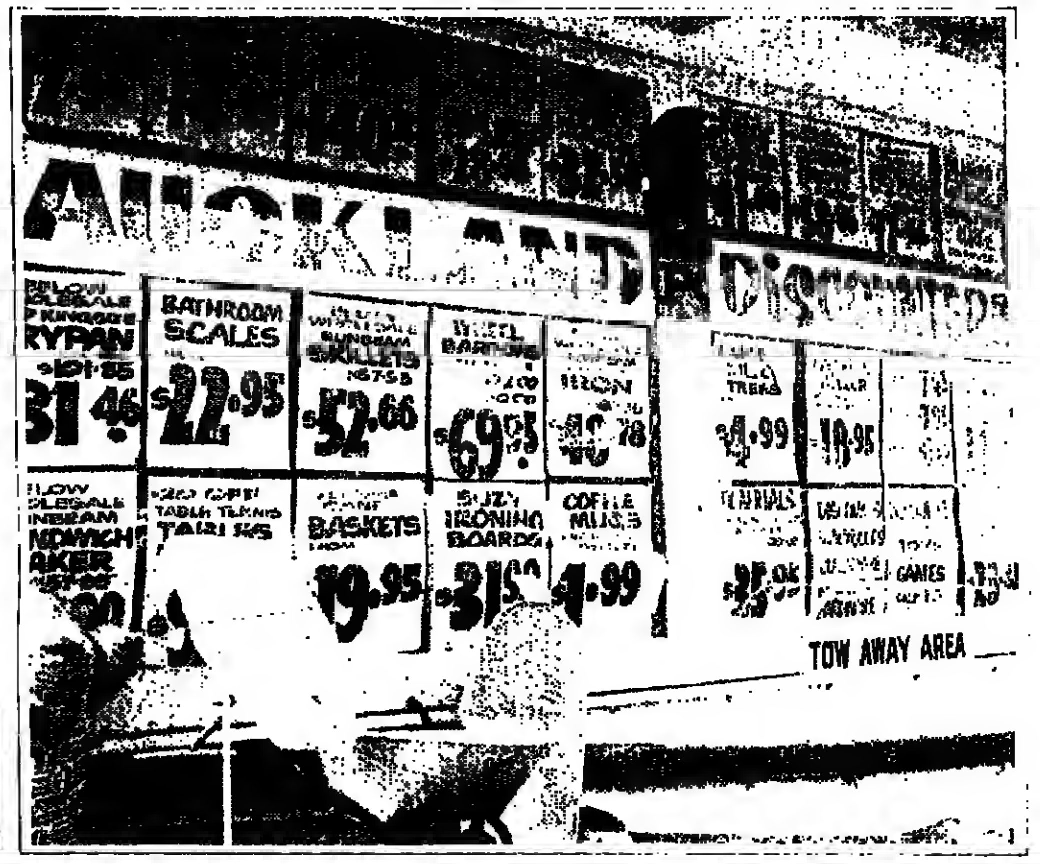
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Letters

Third world parallels

I HAVE recently returned to New Zealand after working for over a year in a country (Mozambique) that everyone would consider a part of the so-called third world. Suffering from the advantages of this comparative experience I keep noting a striking similarity between the behaviour of our Government and the governments of other third world countries.

New Zealand, as a small country dependent on primary production is, economically, a part of the third world, in spite of our cultural affinity and historical links to the industrialised western countries. As much by good fortune as good management we have obtained a high per capita income, allowing us to buy the accoutrements of the industrialised world. In recent times, however, our attempts to cope with the harsh realities of the world around us and adjust to our geographical position and economic structure have emphasised the nature of our economic relationships.

It is in the way we attempt to overcome our balance of payments problems that our position as a third world country is most obvious. International financial institutions maintain New Zealand, as they do other third world countries, in an economically dependent and subservient position, through the conditions they put on their loans.

The classical "stabilisation programme", required by the IMF before credit is provided to cover balance of payments deficits, is directed at starving the local economy of capital and opening up the recipient country to multinational corporations. The tightening of the money supply reduces the amount of credit available for capital investment in the private sector, and the elimination of government budget deficits reduces capital spending in the public sector. At the same time the lifting of import controls and the emphasis on an export drive to overcome the balance of payments deficits keeps the country's economy as an integral part of the international trading network.

It is the multinational corporations that can take real advantage from this trade, and offer the external capital inflows now needed for further economic growth. They will, obviously, only be willing to undertake certain types of investment, preferring the large-scale operations only they can undertake, and hence they look to capital-intensive projects operated by a small skilled workforce easily controlled by management.

The host country then becomes hooked on these corporations, dependent on the capital inflows of their investments and the foreign exchange earnings of their projects. The corporations make the profit — soon taking out more capital than they brought in — while the local economy, always vulnerable to the ups and downs of the international economy, struggles to provide the necessary services and public facilities at subsidised prices.

We join the queue of countries competing for the highly mobile international capital. Insisting on subsidised services and tax concessions, and eased in by local conglomerates who do the necessary spade work for a share of the action, these corporations call the tune without paying the piper.

New Zealand's competitive advantages arise from an excellent growing climate and a relatively highly skilled workforce. We cannot compete with the industrialised world in high technology heavy industries, or with the populous third world countries in the mass production of consumer goods. Instead we must specialise in what we can do well, and develop the skills to process our produce through to the final consumer product, marketing it ourselves. If we have the courage of our convictions and faith in our opportunities, we can stand on our feet, and make our contribution to the world while earning a living.

Gary Williams
Napier

Bill Birch and oil imports

CONTRARY to what Nigel Isaacs wrote (*NBR*, June 22), I am worried about New Zealand's oil imports. Further, what is being done to reduce them is consistent and cost-effective. Some examples, I am sure, will explain this:

- Refinery production of all grades of fuel oils will be about 300,000 tonnes less in 1981 than in 1975. This has been coped with at the refinery by using much less Middle East crude and more Indonesian condensate. At present prices this is saving New Zealand $75 million a year on our oil import bill.
- Physical exports of fuel oil over the last four years have been small and averaged 34,000 tonnes — just over 1 per cent of refinery runs — and New Zealand has covered marginal costs; perhaps Mr Isaacs has been confused by Department of Statistics reporting on some international marine bunkers as exports.
- The expected continuing decline in the fuel oil market has been planned for as chronicled on Page 36 of the 1980 *Energy Plan*. The present refinery is coping by crude switching (as mentioned above) and the refinery expansion is designed to meet the 1987 demand slate — with full cognisance of the changing demand pattern.
- The prospects of an imbalance between gasoline, diesel and jet fuel are comprehensively covered on pp 32 and 33 of the 1980 *Energy Plan*. There is a risk of additional gasoline substitutes precipitating a shortage of jet fuel or diesel. This is well recognised and efforts are concentrated on avoiding such an occurrence. Nevertheless the cost penalty of product surpluses or deficits, while preferably avoided, is by no means untenable.
- All of the available sources — CNG, LPG, synthetic gasoline, R and D, coal, natural gas, condensate, conservation, McKee, refinery expansion, etc — are contributing to a soundly based flexible but balanced expanded refinery position with oil imports falling as low as 3.0m tonnes in the late 1980s, compared with 4.0m tonnes in 1980 and 4.5m tonnes in 1974.

The Marsden A power station tanks contain fuel oil for operating that station, not diesel, as Nigel Isaacs claims.

The uncommissioned Marsden B station tanks contain a national strategic petroleum reserve of 23 days cover for diesel use. Marsden B was the unfortunate brainchild of the 1973/75 Labour Government.

There is no secrecy in the *Energy Plan* of the whys and wherefores. I will support every economically practicable substitution for an oil load — no matter at what part of the barrel — recognising that other substitutions, conservation, crude switches, refinery flexibility and, as a last less attractive resort, refined product imports or exports will enable real benefits to be accrued.

I am proud of the $75 million savings New Zealand has obtained from fuel oil substitutions whereas Mr Isaacs's article is regrettably science fiction.

W F Birch
Minister of Energy

Not really gold coin

ON June 15, 1981 you published an article captioned: "Charles and Di keeping the shop tills tinkling" (*NBR*, June 15), outlining some of the products available on the New Zealand market in commemoration of the forthcoming royal wedding and, although I am grateful for the editorial in respect of my company, I am rather concerned that information relating to one of the items I am offering — namely the crystal coin goblet — is rather misleading.

The article states: "Crystal Coin Goblets featuring a little gold coin tinkling inside a hollow bubble in the stem for $95 each".

In fact, the coin inside the bubble of the stem is *not gold*. Because gold melts at a temperature lower than that at which the crystal is blown, a special alloy has had to be used in the production of the coin. This coin is nevertheless minted by the Birmingham Mint.

In view of the above, I am sure you can appreciate that I might find myself in a rather "awkward" situation if anyone, after reading your article, purchases a crystal coin goblet and discovers that the coin is not in fact "gold".

Peter P Ryan
Chairman
Archive College of New Zealand

Fish farming

Salmon farmers yet to can the rewards of their toil

SALMON farmers are wondering what they are doing wrong. After pouring money into the ocean for five years they have yet to start canning the rewards.

The theory was simple. Salmon returning up the rivers of the South Island's east coast would be caught and their eggs stripped and hatched in protective ponds.

Millions of young smolts would be released into the rivers for a two, three or four-year stay at sea. Then lured by the homing instinct, the adult salmon would return to spawn, climbing fish ladders almost literally onto the processing table.

Cleaned and packaged they would be airfreighted to hotels, restaurants and gourmets round the world.

It hasn't happened. Returns have been small and the run this year was the most discouraging of all.

ICI-Wattie, which has released a million smolts over five years, failed to get one back to their hatcheries on the Waitaki and the Clutha this season.

Another pioneer rancher, Clive Barker, at Takaka in Tasman Bay, has also failed to lure the luxury fish back to home base.

Returns to the Ministry of Agriculture and Fisheries hatchery at Silverstream on the Waimakariri were also down, while those on the best salmon river, the Rakaia, were about average.

South Pacific Salmon Farmers, on the opposite bank to the ministry's hatchery at Glen Arrife, did get 60 fish back, but not all its own releases.

Lane Walker Rudkin's joint venture on the previously untried West Coast did better. From its first small release of yearling fish on the Kaniere seven returned.

Now the five salmon ranchers are taking stock, re-evaluating research programmes for what might be up to another 10 years experimentation before salmon become a viable commercial enterprise.

Lane Walker is encouraged by its initial success and now intends to make further releases from the Kaniere and its other joint venture on the Hokitika.

Glen Arrife's experience indicates yearling releases are the most likely to return. From a batch of 7500, let go in September 1979, 2 per cent have returned over the past two seasons.

And this year 25 per cent of the run entering the stream at Glen Arrife were returning fish, a factor which the ranchers consider highly significant.

While the experimentation has progressed, despite the disappointments, the ranchers have made significant advances since forming an association in January 1980 which all but ICI-Wattie joined.

By negotiation the association, with Sir Malcolm Burns as an independent chairman, has overcome strong opposition to ranching from the acclimatisation societies, achieving a three-way agreement involving the Government.

That agreement emphasises the right of the sporting fisherman to cast his line first when the salmon run begins, while setting out a Government policy on ocean-ranching, an agreement for the collection and equal distribution of stock and a long-term research programme at the Glen Arrife hatchery.

For ICI-Wattie the argument for or against the association may be academic. After five years work and $500,000 outlaid, the project will be reviewed as the two companies' boards intended. With little success to give encouragement one option seriously being considered is to end the experiment.

Wattie Industries biologist Terry Beckett, who has been closely associated with the project throughout, said it was no surprise that the venture had been unable to establish a salmon run.

Ranchers in Oregon, where the salmon was in its natural habitat, were still having problems, he said.

"It was unrealistic to expect it to work immediately."

From about 1 million releases in total through its hatcheries on the Waitaki and Clutha, the venture has had few returns throughout the five years.

"There is a lot of disappointment — but that does not mean that ranching will not work in New Zealand or that it will," Beckett said.

If ICI-Wattie perseveres — and that decision is unlikely to be known before late August — development work will be stepped up, involving more expenditure in expanding one if not both hatcheries.

Even so it may take another five years or more before the partners know whether there might be a commercial return from their investment which, by then, would be well in excess of $1 million.

Effectively the hatcheries on the Waitaki and Clutha have been through two salmon life cycles without being able to establish a reliable run.

From research in the United States the ranchers know they need to strip eggs from returning female fish bred at their own hatcheries to breed the particular river identifying factor into the salmon's homing instinct.

This year each rancher will get an equal share of eggs from the Government hatcheries at Silverstream, which, with the ranchers' own collection of stock, may give up to half a million releases each.

Lane Walker will be rearing

its young fish up to 90 grammes before release under a programme developed by former Ministry of Agriculture and Fisheries salmon fishery officers John Wisker and Jim Galloway.

Both have been involved in developing salmon runs for more than 15 years at Glen Arrife. Galloway is now Lane Walker's salmon operations manager and Wisker is fisheries officer.

Wisker, who is also secretary of the Salmon Ranchers Association, was unhappy with the progress being made at Glen Arrife. "With private enterprise backing we hope to accelerate that development," he said.

Wisker said the initial results on the West Coast were promising. Previously there had been no salmon there at all, and now after what in international terms is a tiny release, they had proved the fish would return.

East coast rivers had seven disadvantages, he said. Nearly all were the target of hydro-planners past or future, while farmers tapped the waters for irrigation and the cities and towns poured pollution in.

The sportsman's fish was at risk from the same factors, he said. Natural salmon runs on most of recognised salmon rivers were this year the poorest for some time.

Reasons for the poor season vary. Rumours abound of a black market in "silver mackerel" caught by fishing boats in the Canterbury Bight. But no-one *NBR* spoke to had been able to buy a salmon as conclusive evidence of the trade.

That may change. It is understood the Ministry of Agriculture and Fisheries is proposing an amendment to existing regulations to allow the landing of salmon caught at sea for research purposes.

Other reports suggest an absence of two-year-old fish in this year's

have been several clipped fish caught without the important identifying tag implanted in the head.

Wisker uses an American term: "We may be looking through the wrong biological window," he said.

To the layman that means the wrong approach, though Lane Walker is already convinced that its approach warrants further investigation and development.

Nuclear insurance exclusions trouble Australians in wake of first 'mishap' in NSW township

THERE are fears that Australia may have experienced its first serious nuclear accident when a truck carrying lethal radioactive material overturned in a small town in New South Wales last year.

A Government inquiry into the incident has yet to release its findings. The mishap nonetheless focuses attention on a matter that concerns the Australian community — the nuclear exclusion clauses in property and liability insurance.

Australia's nuclear induatry remains under excluaive Government control, and any liability regarding accidents from nuclear weapons material, fuel or waste is the sole responsibility of the Federal Government.

Nuclear exclusion clauses are included in policies by underwriters in Australia to define contractually thia Government responsibility. But such exclusion clauses seem to have engendered a certain resentment among some Australian policy-holders.

Narrow as these clauses are, do they reflect the Australian insurance induatry's attitude to nuclear energy, and do they necessarily represent its asseasment of the extent of risk from nuclear activities?

The Insurance Council of Australia (ICA) says it simply means the inaurers have not been asked to accept this risk, in respect to nuclear weapons material, fuel and waste. if the Federal Government were to allow the commercial uae of nuclear reactors then the insurance industry would consider the formation of an insurance pool against the liability riaks arising from an accident in a nuclear power station.

The trend may be in that direction for recently the Uranium Enrichment Group of Australia recommended that a multi-million dollar feasibility study be conducted into the possibility of establishing a uranium enrichment plant.

The group comprises a number of prominent mining companies, and suggested that private enterprise put up the money for the project.

Given the influence and political clout of the companies involved it seems likey enough that the operation of nuclear reactors by private enterprise may yet confront the Australian insurance industry.

The ICA points out that nuclear risks associated with normal commercial operations, such as the use of radioactive isotopes, may form a normal part of insurance cover.

Damage caused by radioactive contamination, for example, may be covered when it arises from a peril insured under a fire policy.

Liability is also available when radioactive isotopes are used commercially, and there is the risk of human carelessness, or a simple accident which could lead to damage or injury to others or their property.

On the evidence available, there does not appear to have been any cover issued on the radioactive material involved in the New South Wales accident, but the incident exemplifies an aspect of nuclear risk with which the Australian insurance industry may well have to concern itself more in the future — that is the risks, not so much from nuclear reactors themselees, but rather those hitherto unrecognised risks that are emerging from the less esoteric areas of transport and mining.

The truck in the NSW accident was also transporting two tonnes of Chineae food, which is alleged by the media to have been subsequently distributed among restaurants in a metropolitan area.

There are also fears that the radioactive wastes spilt at the site of the mishap will find their way into groundwater reserves feeding artesian bores that water the region's market gardens.

A similar fear recently led to demonstrations in Adelaide against the *in situ* method of uranium mining proposed for certain South Australian deposits. In this technique the uranium ore is dissolved *in situ* by a solution pumped down into the ore body, and then pumped to the surface.

In Wyoming, this solution broke out of the strata containing the ore body and leaked into the Wyoming river, and informed scientific critics in Australia have warned that artesian groundwaters of great agricultural value could be polluted in the same way.

While the nuclear industry as such is under government control, the proliferation of this type of applied technology is not, and the question remains whether its continued growth will stimulate the emergence of underwriters specialising in assessing its attendant risks, or whether the Australian insurance industry will lose potential business by sheltering behind the restrictive nuclear exclusion clauses.

Media in firing line

ARSONISTS, it is claimed, have no greater champion in Australia than the media. Television and newspapers tell Australians often enough that arson is a difficult crime to prove; that police are almost impotent when confronted with it; that millions of dollars are reaped each year by fraud arsonists, and then for good measure demonstrate some of the methods used to set fires.

Addressing the South Australian Committee on Arson, Walter Spratt, of Royal Insurance Australia, said there was little doubt the media had sensationalised the crime of arson and led to its growth.

He reminded his audience that one instance of fraud arson had claimed the life of a fireman in Adelaide. In view of the danger to firemen, it was irresponsible for one major Australian TV current affairs programme to have shown the use of a candle as a timing device for setting a fire.

It was equally irresponsible for a leading metropolitan newspaper to have advised its readers:

- If you intend to use a "torch", a cheap one ($A500-$A1000) only buys trouble. A good professional "torch" will cost more initially, but the guarantee of a good job will save you money and perhaps "time" later.
- After the arson don't worry needlessly about getting caught; the police don't investigate all suspicious fires, and even when they do attend they're usually hopeleas.
- Before having your fire increase the insurance cover significantly. The insurance company won't ask any questions.

Spratt said that in the same article a fire brigade officer had offered advice for landlords who wish to increase their rental returns. He said: ". . . The owner of a building that is old and only returns low rentals will light a series of small fires, or even one big fire, to drive the tenants out. Then, with the money from the insurance claims he will refurbish the house and charge higher rents."

Spratt claimed that, in effect, the fire brigade officer then nominated the area of Sydney where property owners might profitably entertain auch a proposition, by saying: "This may become a significant happening in the inner-city areas of Sydney, particularly as properties become more valuable."

Spratt said some arson squada were months behind in their investigations, and remarked that they had probably fallen even further behind after such media treatment of arson.

Australian banks' NZ growth slows

AUSTRALIAN trading banks' business growth in New Zealand has fallen behind the rate of increase in other overseas countries, even though this country is their second largest sphere of operation.

The total assets of overseas branches, agencies and subsidiaries of the Australian major trading banks nearly trebled between June 1975 and June 1980, to more than $A8000 million. This compares with an increase of about 85 per cent over this period in their domestic balancesheet assets.

The assets of these overseas offices, which comprised about 15 per cent of the global assets of the major trading banks in June 1975, had risen to about 21 per cent in June 1980.

More than half the overseas assets are in Britain, with $A4161 million in 1980, compared with $A1452 million in 1975.

New Zealand is the next most important overseas area with the banks' assets totalling [illegible] million in 1980 against [illegible] million in 1975.

The other major overseas [illegible] the United States.

[illegible]

But the enactment of the (US) International Banking Act 1978 has resulted in some of them upgrading the New York agencies to Federal branches. Consequently while Australia's major trading banks record no assets in the United States in June 1975, by June 1978 their United States assets reached $A450 million, and had increased further by June 1980 to $A1025 million.

In terms of assets, New Zealand represents the second largest segment of the Australian trading banks' overseas operations. But growth rates of New Zealand business in the past few years have fallen well behind those in some other areas.

Australian trading banks had no assets in Hong Kong and Singapore in June 1978. By June 1980 Hong Kong and Singapore accounted for $A374 million assets abroad.

Australian banks first established offices in Hong Kong in 1974, but have been precluded from establishing branches because of Hong Kong's reciprocity requirements. But during the past two years four of them have established wholly-owned deposit-taking subsidiaries, which are licensed under the (Hong Kong) Deposit-Taking Companies Ordinances.

Another has established a partly-owned deposit-taking company in a joint venture with a Japanese bank.

The first repreaentative offices of Australian banks in Singapore were opened in 1971.

In the past two years, two banks have obtained banking licences, enabling them to convert their offices into branches.

The banks' asaets in Singapore and Hong Kong just exceeded their $A320 million assets in Papau New Guinea.

Manufacturing

Depressed workshops unable to cope with projects

by Allan Parker

FEARS that a depressed heavy engineering industry would be unable to respond fully to the opportunities of the major projects programme are showing signs of being realised.

Engineering workshops have faced a continuing downturn in business in recent years as the economic recession has continued.

Hopes that the "Think Big" projects would revitalise the industry have depended on the final decisions to go-ahead with the multi-billion dollar programme and consequent contracts.

In recent months, the industry has been warning government that unless work is forthcoming rapidly, many firms will be forced out of business. Some have already gone to the wall because work has been unavailable.

And while some work is now beginning to emerge from the Tiwai Point aluminium potline and the refinery expansion at Marsden Point, other projects have yet to receive the company and Government green light.

NBR last week learnt of one contract put out to tender — not for a major project — that elicited only one response from a local company. Pacific Steel was in the market for equipment for its car-shredding plant and believed four or five New Zealand companies would respond to the tender call.

"We were very surprised when we only got one," admits Pacific Steel managing director Jim Dale. "We certainly expected more."

Dale and other industry sources suggest New Zealand companies are unable to tender for the contract because the continuing recession has led to:

- A reduction in staff and management levels;
- Consequent incapacity to gear up rapidly enough for the job;
- A reduced ability to raise finance; and,
- Fears of industrial problems.

Said one source: "From talking with a number of companies, it is obvious that many would sooner maintain a lower level of activity and an acceptable profitability rather than run the risks of scaling up their operations."

That attitude bodes ill for a full New Zealand participation in the big project programme; if companies are reluctant to expand if and when the projects get under way, more work will go to overseas companies with the facilities available.

Added our source: "And, of course, the more the project decisions are deferred the worse the problem becomes.

Workshops . . . feeling the pinch

"The sliding of the projects means opportunities to space the work out over the entire project programme are disappearing.

"So what was going to be a capacity problem anyway now becomes three times worse."

The situation has become so bad within the industry that suppliers are forming "committees of assistance" to help financially-desperate engineering workshops stay in business.

These have been formed before, but the need to reform them on the eve of what is touted as a major revival for the industry is particularly worrying. In one instance, an engineering workshop employed over 40 skilled staff.

It managed to keep all employed but ran up debts of $300,000 to materials suppliers and a similar amount to other creditors.

To save the company, the suppliers banded together to help the company trade its way out of business.

Fifteen staff were made redundant, but the company has survived and has to date paid off 45 per cent of its debts.

The option was complete closure, with the loss of all jobs. And, as one committee member commented: "Who would want to buy an engineering workshop with its facilities when there's no work around, anyway?"

Further evidence of the difficulties being faced by workshops emerges from the latest Labour Department figures.

The combined effect of a downturn in trade generally and continuing losses of skilled workers is adding to the pressure.

For example, new engineering group apprenticeships (boilermaking, engineering, heating and ventilation, industrial instrumentation, moulding, refrigeration, and sheetmetal working) dropped by 69 (8.7 per cent) in the 12 months to January 1981.

The number of vacancies for fitter-turners increased by 105 per cent in just six months between February and August last year (the latest available figures from the department). There were 147 jobs for unavailable fitter-turners at that time and another 103 vacant positions for fitter-welders.

- Total new private sector apprenticeships in 1980 were 11 per cent lower than 1976. Last year, 7019 new contracts were signed compared with 7931 four years before.

Books

Move over, Jesus . . . Mohammad's 'numero uno'

by Gordon McLauchlan

JESUS Christ, Superstar, didn't get history's leading role, according to American author Michael Hart.

Top billing went to Mohammad, with Isaac Newton in the main supporting role.

Hart is a mathematician, astronomer and chessmaster who has written *The Hundred* (Vantage House; $26.95), setting out in order the 100 persons who, among the billions of people in history, have most influenced its course.

Mohammad gets the leading part as No. 1 because, according to Hart, "he was the only man in history who was supremely successful on both the religious and secular levels."

Christ. sharing kudos with St Paul.

The rationale for Isaac Newton's high listing, at No. 2, is that he was "the greatest and most influential scientist who ever lived." After attending Cambridge and before he was 27 years of age "he laid the foundations for the scientific theories that subsequently revolutionised the world."

Why can Jesus only make third place? ". . . it is not the influence of different religions that is being estimated in this book but rather the relative influence of individual men. Christianity, unlike Islam, was not founded by a single person but by two people — Jesus and St Paul — and the principal credit for its development must therefore be apportioned between those two figures."

You may want to argue about that. And that's the beauty of this book — it's full of fruity material for argument.

Abraham Lincoln is left out on the basis that slavery would have been ended without him, and John F Kennedy is included in the list because he gave the go-ahead to the space race.

If you think of the basic philosophical influence of Lincoln on Americans and of Americans on the world since the Civil War, and the influence over less than five years of John F Kennedy, then . . .

See what I mean? An argument on every page.

Winston Churchill isn't there either, but Adolf Hitler is.

There are only two women: Queen Isabella I of Spain in 68th place and Queen Elizabeth I in 95th. There are 71 Europeans, 18 of them Britons and five Scotsmen who therefore become the most influential race of people in history, according to Hart:

"Since the Scots represent only about one-eighth of one per cent of the world's population this represents a truly astonishing concentration of talent."

The first 10 are: Mohammad, Isaac Newton, Jesus Christ, Buddha, Confucius, Saint Paul, Tsai Lun (the inventor of paper), Johann Gutenburg (printing), Christopher Columbus and Albert Einstein.

The bald list itself is interesting enough but the real fun comes in reading Hart's rationale. It becomes clear early that he is a scientist rather than an artist and the overt influences more noticed than perhaps those that are submerged and have flowed on from a man's influence in his time.

Not that it matters. It's just a lot of fun.

The price is relatively low for a big hardback and the prose is simple and straightforward. I would think inquisitive youngsters could enjoy learning from it and maybe join in the arguments that will abound among the adults.

Industrial relations

Tax-wage trade-off — the strategy floated at Orewa that has taken six months to sink without trace

THERE was no tax cut in the Budget because, Prime Minister Rob Muldoon said, the FOL "refused to agree in principle to a proposal which offers real opportunity to assist the moderation already evident in our rate of inflation".

The FOL had argued that an 8 per cent tax cut was needed to compensate for fiscal drag (the effect of inflation on taxes) before a tax wage trade-off was made. And, the FOL said the size of the Budget deficit was too large, at $2100 million, to allow a tax cut.

Officials argued that the effects of fiscal drag were fully compensated for in the February tax cut and that Budget expenditure for a trade-off had been allowed for but was used elsewhere when the talks fell apart.

Employers argue that the FOL did not have a clear mandate from its members to accept a trade-off and that they did not want to appear to let Muldoon win them over in a bargaining situation and then tout his ability with the unions around the country — especially in an election year. And Muldoon did not want to be seen to bargain his Budget with the unions.

The wages policy talks, in which the idea of a tax wage trade-off was brought up at the beginning of this year, started in May 1980. They were part of the Kinleith settlement package. The Remuneration Act was repealed and the recent cost of living adjustment agreed to during the progress of the talks last year. Those months of negotiation to reach a common ground on which to base new wage fixing procedures have now been lost.

This week Ann Taylor looks at the tax wage trade-off talks and next week describes the agreement that was reached last year on industry-based negotiations and the minimum basic wage.

THE idea of trading a tax cut off against wage increases was spelled out for the public by Prime Minister Rob Muldoon in his annual Orewa address. It had been suggested two years ago by the International Monetary Fund as a way of reducing inflation and has been used in countries which can afford it.

When the wages policy talks resumed this year FOL president Jim Knox referred to the Orewa statement and said the proposal could not make progress until it was discussed with the parties rather than the media.

He said he was under pressure from unions which were then starting to draft their claims and wanted to know if the FOL was making a tax deal with the Government.

FOL secretary Ken Douglas cautioned on February 2 that a tax wage trade-off should not divert the talks from the real issues of developing long-term wage fixing reform.

Treasury officials at that meeting said the Government had no specific proposals but to get off the inflationary roundabout it would bear the initial cost of breaking the spiral.

Position papers were prepared and the Combined State Unions were included in the discussions which became known as the wage tax trade-off talks. Despite cautions from the parties that a trade-off should not distract them, talks on long-term wage fixing problems never resumed.

The Employers Federation paper spelt out its support and endorsement for a reduction in inflation and stimulation of employment and a tax wage trade-off, if it could achieve these objectives.

A tax reduction would only be credible they said if it was substantial. "Whatever tax reductions are made, their effect must be clearly recognisable by wage and salary earners in their take-home pay packet."

For a trade-off to be realised this year the employers argued for a suspension of free bargaining and use of the Arbitration Court to determine the wage round, having regard for the trade-off.

To be effective the employers initially floated a figure of a 25 per cent cut and said there would have to be an agreed understanding of the value of a tax reduction. They argued that a decision would have to be made well in advance of the wage round and would need to involve a solution to fiscal drag.

Employers said the move was a risk and would impact the Budget deficit to the tune of $825-$950 million.

The FOL was more cautious in its support. "Workers generally feel that the burden of tax is too high and therefore there should be a tax cut without any wage offset." It said it would not accept a unilateral tax cut. It saw a time limitation on working up a practical tax cut package and acknowledged the Budget constraints on the size of a tax cut.

The FOL said it was prepared to be "reasonably flexible" on the question, but if it caused a cut back in Government goods and services it would not be supported. It was also concerned that if an income tax cut was made Government might then impose indirect taxes and the net benefit to workers would be eliminated.

The FOL conference two months later did not support a trade-off "if" it would mean reduction of public service employment. The other parties were quick to say the FOL was "in direct opposition to the interests of the people," they were "astonished and disturbed" and reacted in a state of "complete disbelief" to what they interpreted as a rejection of the trade-off.

The Government initially saw the trade-off as a means to break the "wage-price linkage, without reducing real disposable incomes. This is because the Government's Budget bears the cost in the short term."

The Government then was cautious of union reaction: "It is critical to the achievement... that the wage side of any bargain be delivered . . . there is a major risk because the tax system is more centralised and easily controllable . . . the wage response to a tax cut might not be forthcoming."

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With at least the general feeling that the matter should be considered, the working parties got under way. With the object to identify the sort of tax cut that would give the same change in disposable income as a wage increase three forms were identified: a flat rebate, a proportional rebate and a personal exemption.

Tables were worked out for the three options for tax cuts from 1 to 10 per cent. The FOL had a preference for a flat rebate which would give an equal cash effect virtually across the board.

The employers preferred a proportional rebate which effectively provides a uniform reduction and would give the highest cash increase in disposable incomes to the highest paid.

It would, therefore, not result in a compression of margins.

The trade-off appeared to be technically possible and the view of the parties was that the initiative now rested with the Government. On May 19 the parties came together.

Muldoon said the FOL conference result obviously did not put an end to discussions because here they all were. Knox said no figures had yet been put before the FOL and Muldoon replied that he could not tell them what was in the Budget because the final estimates were not clear but he wanted agreement in principle.

CSU President David Thorpe said a tax cut of 8 per cent was needed to remove the effect of inflation on the tax scale before a trade-off could be effected. Muldoon said if that view was taken there would be no tax cut.

Muldoon said he would undertake to make any tax cut as large as possible and that he never had it in mind to reduce Government services to pay for a tax cut. There could be no tax cut if there was no trade-off, said Muldoon.

Knox said that any tax cut could have no effect on the round at this late stage. Douglas said the FOL wanted a proposal and in a letter, put several questions to the Prime Minister.

Muldoon confirmed in his reply that a tax wage trade-off would not reduce social services and that the form of the cut "might be a flat dollar amount reduction in tax paid per week in return for reduction in wage settlements equivalent in after-tax terms."

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Muldoon said in that letter that a wage tax trade-off is a pre-requisite for major tax reform. And "it would be a pity if all the work that has gone into this issue were to be wasted."

Those points were discussed at the last meeting on June 3. After apparent satisfaction greeted his answers Muldoon asked whether the principle could be agreed to.

The FOL and CSU representatives said they were prepared to talk about it provided an 8 per cent cut to eliminate fiscal drag was made.

And they said they could not agree to the principle without the size of the tax cut being known.

Muldoon asked Douglas if he was serious and if that was their final position. Muldoon said he was not prepared to "horse trade" his Budget and the current stand-off was reached.

Industrial relations

Douglas and Muldoon face to face, Knox in attendance . . . before the stand-off, of course.

Wine

Vineyard survey points up wine dilution

From Paga 1

In a talk recently to Gisborne grapegrowers, a top Montana executive said tbat it would be impossible for our wine iodustry to sell overseas without the Government's tax incentive scheme and that the company was looking at areas of diversification because it was becoming increasingly difficult to maintain a growth pattern from year to year.

There are now 3719 hectares planted in white viniferas (*classical European grapes*), but many believe that the proportion planted in Muller-Thurgau (Riesling/Sylvaner) — 1818 hectares — is far too high for the good of the industry.

The planting of such quantities of this grape has been actively encouraged by tbe Germans.

We are the only country outside Germany which grows this crossbred in quantity. It now represents 30 per cent of the German crop and is the mainstay of that great export phenomenon, the Liebfraumilchs, Moselblumehens and so on, which — by elever marketing — represent more thon 50 per cent of German exports.

But German exports are based on the reputation won by the great Riesling wines of Mosel and Rheingau, which were the only wines Germany exported for centuries.

New Zealand must first earn a reputation for quality wines before it can base an export industry on what is no more than a pleasant quaffing wine without finesse or subtlety.

But the practise suits our winemakers — they can make a dry Muller Thurgau, a sweet Muller Thurgau, a concentrated freeze dried grape juice Muller Thurgau, suitable for unsophisticated palates, althougb all lack the hallmark of great wioe.

It is eocouragiog to see the iocrease in Chardonnay (175 hectares), Rhine Riesling (81 hectares) and Gewurztraminer (481 hectares).

In the red viniferas, Cabernet Sauvigoon is the premier grape ond now amoll quantitiea of Merlot and Cabernet Franc have been plaoted, hopefully for blending into Cabernet Sauvignon to soften its austerity, as do the Bordeaux wlnemakers.

On the debit side, 14 new heetares of the Lubrusca Albany Surprise were plonted lost year and, in spite of pious protestations to the contrary, a greater proportion of the crop (317 tonnes) was used for winemaking in 1980, thon was aold for dessert, or turning into grape juice.

The total area under grapes has increased from 2351 hectares in 1975 to 4785. The firat modern survey carried out in 1960 recorded only 388 hectares.

Grape growers have increased in number from 161 in 1960 to 567 in 1980.

Poverty Bay has become the leading grape growing orea with 1570 hectares. Hawkes Bay is next (1490 hectares) then Marlborough (700), Auekland (600), and Waikato (325).

White grape varieties predominate, accounting for more thon 80 per cent of total plantings.

In vlew of the incidence of phylloxera it is dlaturbiog to find tbat 3940 bectares were planted on their own roota with the balance 720 hectares planted on the rootstock 1202 which has lost favour overseas.

Phylloxera is a vine louse that attacks the roots, decreasing yield and quality. There is no known cure. Thls plague on vinters cost the French more than they paid out in reparations for the Franco-Pruasian war.

The only prevention is to graft vines on to American disease-resistant root stock.

It is anticipated here that, in tlme, practieally all vines planted on their own roots will have to be replaced to contain the disease.

To get a line on what really fine wine can be produced in New Zealand, one must visit (by iovitation only) the DSIR Wine Research Centre at Te Kauwhata.

There, Dr Escbenbruch and his eolleagues are producing — only in experimental batchea — auslese wines aa good as any to be found in Germany.

To make good wines, one must start with good grapes with maximum sugar content.

Many winemakers denigrate the New Zealand climate, saying it is essential to add eane sugar to get sufficient alcohol in the wine. But the researeh station this year has harvested gropes with a Brix eontent up to 29.6, which is as high a augar content as one can get in Colifornia, Austrolia or France.

The wines I sompled were a seleetion of auslese wines from the 1980 and 1981 vintage and made from Riesling/Sylvaner and Riesling grapes with some made from experimental vines obtained from Geisenheim in Germany, auch as Gutenborner, Reichensteiner, GM4/46 and Ehrenfelser.

The last named grapes have the advantage that they mature earlier than the current Reisling/Sylvaner or Muller-Thurgau and Riesling grapes, but to my mind they do not possess the fragrance of, eertainly not the genuine Riesling, but also of the Riesling/Sylvaner.

The best wine wos a genuine Riesling 1980 Auslese whieh came in at 23.5 Brix or sugar content and was slowly fermented for about three months.

It haa a true German eharacter with a honeyed scent, fragrant on the palate and without the slight bitterness one finds on the aftertaste in the beat of the Riesling/Sylvanera.

Though it was not expressed, I sensed a feeling of disappointment that not enough winemakers were coming to the station with either their problems or with a desire to learn from the experiments how better wine eould be aehieved.

But possessing the knowhow to make 46,647,000 litres of wine from 35,058 tonnes of grapes, who wonts to learn how to make better wine?

Wine companies still erring on content

by Klaus Sorenaen

WINE componies continue to break the Health Department regulations on wine content.

The new regulations, which principally restricted the addition of tap water and sugar to wines, and set a 95 per cent minimum for grape juice content in premium wines, and 80 per cent for table wines, came into force last year amid considerable ructions in the wine industry.

The department has issued non-compliance orders to a number of wine companies — and "putting the hose in" as it is known in the industry, is understood to be one of the practices objected to.

Health Department assistant director public health division (food standards) Jim Fraser told *NBR* he could not soy mueh about the noncompliance orders because they were "sub judice".

The department had osked the companies involved to write back and explain why they had not complied with the requirements. Fraser said if the department felt the explanation was unsatisfactory a prosecution could follow.

Mostly the orders related to such things as excess sulphur dioxide, sugar, or too much alcohol content.

He said the orders were issued in the last few weeks, after the department's most recent survey on all the wine brands.

But because the orders are issued through the 18 district offices he couldn't say exactly what they related to. There were "around a dozen" issued and at least one was a relatively serious one relating to excess preservatives.

Fraser wasn't sure how many of the infringements related to "tap water" but "I should imagine there would be several for insufficient grape juice," he said.

This is the department's way of describing excess water content.

Some wine industry sources made a claim — quickly denied — last week that the industry maverick, Penfolds wines — run by former Montana boss Frank Yukich — had been issued with a non-compliance order for using tap water.

The rumour came almost on the eve of Penfolds public flotation, and seems to have been inspired by a jealousy at Penfolds' considerable marketing success in recent years.

Fraser said he couldn't reveal the names of the companies involved because of the possibility of legal action, but Yukich told *NBR* the suggestion was "completely untrue", pointing out that his company had in the past been one of the strongest advocates of increasing minimum grape juice content regulations.

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Environment

Lead-free petrol option may be lost to NZ

by Ann Taylor

IN tbe open climes and relatively unpopulated cities of this csuntry lead emissions from car exhausts are not considered a problem by tbe general public. But sveraeas the toxic substance which accumulates in the body and cao barm the brain is being increasingly regulated against.

The production of synthetic fuels gives this csuntry the opportunity to produce lead-free gssoline. But if one sf the options being considered by the Mobil consortium is taken up that chance will be lost.

Lead alkyls are added to petrol to increase the octane rating (known as the Octane Research Number, RON) to make it suitable for bigh compression ratio cars. Premium grade petrol used here is currently RON 96.

It is also used as an engine lubricant. About .15 grams a litre of lesd is added to reduce erssisn between valves and valve seats in the engine.

To satisfy these two requirements it is current practice here to add .84 g/l of lead to premium petrol — one of the highest levels in the world.

Alternatives to petrol now being marketed — CNG and LPG — do not contain lesd additives. Synthetic fuel from the proposed Mobil plant "meets the requirements fsr unleaded premium gasoline," according to a paper presented by Mobil researchers to an American Petroleum Refiners Association meeting last year.

Synthetic fuel has a high octaoe rating and, at mssi, would only require .15 g/l of lesd to be odded for lubricatisn.

In its application for the National Development Act the Mobil consortium put up "the worst possible alternative" — leading facilities at the Taraoaki plant.

The lead would have to be landed at New Plymouth and transported through the city to the plant. But an option which is still being calculated ia to transport the aynthetic fuel from the Taranaki plant and blend it at Marsden Point with petrol refined from the imported crude.

That would boost the average octane rating and reduce the average leading requirements at the refinery. The option was not made available for the Commission for the Environment's audit of the project, which makea a plea for "the Government to adopt a programme to eliminate lead additivea from petrol and require that all syothetic petrol be produced lead-free."

The commission argues that when full production of synthetic petrol is programmed to start in 1986 a proportion of cars on the market will be able to run on petrol with RON 92, unleaded.

"Other vehicles capable of using RON 92, but requiriog lead for engine lubrication, could use unleaded petrol for most of their running but fill their tanks every fourth time witb leaded petrol.

The Jspanese cars pouring on to the local market actually require a lower octaoe rating and are produced in a country which lotroduced unleaded petrol in 1975, has a limit of 0.31 g/l io leaded petrol, and sells absut 95 per ceot uoleaded petrol on its own market.

The Government here has undertaken, though made no commitment, to reduce the lead level at the refinery atage to .45 g/l when tbe Marsden Point refinery expansion is completed in 1984.

The pslitics of the situation are fairly poisonous. "What would people, being poisoned at level sf .45 g/l feel about those getting awsy with synthetic fuel at .15 g/l. It would surely be better to take it all to the refinery, blend it witb the imports, and poison everybody at .45," *NBR* was told.

Andre Milkop, director sf the Ministry of Energy's oil market directorste, told a seminar on lead-free petrol two weeks ags that eliminating lead would cost $60 million a year.

The Commission for the Environment does acknowledge that "the overall efficiency of refining and utilisatisn is lower if the high-octane petrol is lead-free."

The csmmission argues thst alternative octane bsosters can be msde from natural gas. Petrocorp's proposal for a comprehensive petrochemicsl development included a plant for the production sf one of the boosters but "it has nst been seriously csnsidered" because of "cost and limited availability."

Milkop said olternatives to lead tend to be more expensive but are svailsble via additives, blending agents, refinery prscessing, unleaded fuels, synthetic gasoline and alcohols.

"The alcshol fuels ethansl and methanol can be blended with petrol in qusntities up to 20 per cent to extend svailable supplies of petrol and to increase the sctane number . . . Some studies indicate that there are energy consumptisn gains in alcohol blends with low-leaded petrol," he said before spelling out the problems.

Alcohol blends can corrode, cause vapour lock problems and tend to separate if water gets in the fuel tank.

At the heart of the issue is the relationship between airborne lead and public health. No substantial research has beeo done here but in April Heslth Minister George Gair stated that health considerations did not warrant a aubstantial reduction or elimination of lead from our premium fuel "at tbis time."

But overseas research clearly spells out the dangers, particularly to tbe health of city children of the neurotoxin which can seriously impair, permanently, the nervous system.

Among the effects of high lead content ln blood are hyperactivity, delayed speech and illness in children. Anaemia, cramping abdomioal pain, vomiting and loss of appetite are among the early symptoms in adults. With aevere exposure lntractable seizures may be followed by coma and possibly deatb. Long-term damage can include meotal retardation and cerebral palsy.

Aucklsod lawyer David Williams, wbo has recently published a book on environment snd the law, was s member of the motor vehicle committee of the Clean Air Council which, in 1974, made a cautious recommendation that the lead level be reduced to .45 by January 1981, or when the refinery was finisbed, whichever was the sooner.

He criticised the committee's report on the grounds that "neither the oil industry nor the committee have been able to point to evidence which demonstrates that there is no harm done.

"On the other hand, there is s growing body of medical opinion which views airborne lead as an undesirable psllutant sod, accordingly, it is possible to argue with considerable strength that the suspected harmful psllutant shsuld be substantially reduced in the near future and eliminated as soon as practicable alternatives are found."

Thst was in 1974.

Overseas lead levels, which snly a gsvernment can regulate, are; Japan .06, West Germany .15, California .26, Britain .40. New Zealsnd, in company with South Africa, is among the decressing number of countries with lead levels at .84.

The Austrslians have decided to introduce lead-free petrol throughsut the csuntry by 1985. A national policy is being developed for a progressive reduction of the lead content used during the period before 1986.

New Ssuth Wales acted unilaterally last yesr. All retail petrol outlets in the state have to sell lead-free petrol by 1984.

Professor Lloyd Smith, of the analytical cbemistry department at the University of New South Wales, has been in New Zealand for the lsst two weeks. He has ssid that the Gsvernment here should use his studies and commission a report on the effects of leaded petrol.

New Zealsnd could be running on non-leaded fuels within five years sf the completion of the studies, he ssid. "The $2.5 million the Government plsns to spend on the Springbok tour could be spent on assessing the problem. But if people wsnt sport as a religion rather than the protection of their children then it's up to them," he said.

What one British study *Lead or Health* has described as "a casual crime committed in the blinkered pursuit of business profits, cynically concealed and perpetuated by political influence" is conducted here by vested interests.

More than 1700 tonnes of lead are imported each year from the British company, Associated Octel Co Ltd. The sil companies that operate here are the principal shareholders in the New Zealand Refining Co, which operates the Marsden Point refinery.

Seven of the compnny's directors, including the chairmsn, sre alss on the boards of the oil companies. The parent companies of local oil interests, including Mobil, run Associated Octel Co Ltd.

Management

Self-interest and motivation in the public sector

ARE these in the private sector more interested in themselves, in bettering their own circumstances, while those in the public sector are primarily involved in an altruistic public service? Of course not, but behaviour dictated by self-interest is very different in each sector. Bart Davis examines this point in the fifth article of his series on the processes of change

SELF-INTEREST is alive and well in public and private sectors — indeed, it ranks close to self-preservation as one of the foremost and universal traits of the human condition.

The key to understanding the general pattern of behaviour in each sector is determining how institutional arrangements affect self-interest. In other words, average employees in both sectors pursue self-interest, but by different behaviour because of the influence of differing institutional environments.

The prevailing type of behaviour, in each sector, is that most closely linked with self-interest.

Besides similar preoccupations with self-interest, what other indications are there that employees in both sectors are pretty much the same?

A major indication is the rather unplanned way most people end up in one sector or the other. Most of us knew some persons in the private sector who would rather be in public service, and vice versa. At the time such a person becomes aware of his true preference, circumstances often make it too difficult to change.

What remains is to make the best of it by pursuing self-interest within the relevant institutional framework.

Acknowledging all the necessary qualifications to generalisations:

- In the private sector, self-interest is closely associated with producing those goods or services that represent the reason the company is in business;
- In the public sector, it is closely associated with "keeping your head down" (for the less adventurous) and pleasing superiors (for the more adventurous).

In the private sector, pursuit of self-interest tends to conform with the company interest (being profitable). In the public sector, self-interest-based behaviour may conform to providing good public service, but not necessarily or very often because providing such service is not essential to survival of either the organisation or the employee.

The link between employee self-interest and superior provision of goods and services by the company is fairly strong.

The link between employee self-interest and superior performance by a public organisation is significantly weaker.

There is a serious motivation problem in most public organisations. The problem is a complex one of type and degree.

The possible types of motivation are positive and negative. The limited presence of positive motivation is indicated by the handful of individuals who have truly become managers, successful in improving the efficiency and effectiveness of the organisations they lead.

How little positive motivation has been provided is also indicated by the very superior performance of those managers. Their situation is analogous to that of blacks and women in corporate America who have to be 200 and 300 per cent better than their white Anglo-Saxon Protestant peers to progress into the upper echelons of managements.

What have been the results of insufficient positive motivation? An individual's desire and ability to truly perform the management function is not universally applauded and rewarded. Of those with desire and ability present during their early careers, the majority have given in to intense pressure for administrative mediocrity.

Only the handful who had courage (to risk their careers) in addition to work and management skills have succeeded in fulfilling their potential.

What about the rest, those who fill the vast majority of upper echelon public service positions?

As defined in an earlier article in this series, they are administrators of the status quo, and most of them are good administrators. The magnitude of qualitative human resources lost by New Zealand would only become apparent if the careers of those good administrators were traced.

Many of them, early on, had the desire and ability to become good managers; but not with the intensity required to persevere in what was and is essentially a hostile environment to major change and the superior managers capable of bringing it about.

By negative motivation, we mean eliciting better performance by the threat of penalties rather than the promise of rewards.

Persons skilled in the development and practice of good management agree that the characteristics described below are detrimental to efficient and effective work performance. (Why these characteristics are prevalent in the public service is treated elsewhere, our immediate concern is their description and establishing linkages to self-interest and motivation):

(1) Management decisions and control of resources are too centralised.

It is proper for national level policy decisions and their co-ordination to be centralised at the highest government levels. It is very poor management practice for the same levels to make department and lower level management decisions and exercise detailed control over resources.

(2) Detailed work is supervision orientation rather than objective achievement orientation.

Parliament, when writing laws, often acts as if MPs were working at the lowest level of administrative implementation. Legislation should be the legal expression of policy, clearly stating the goal to be achieved and providing guidelines for those properly concerned with implementation.

With "what" is to be accomplished clearly stated, the "how" should be left to those responsible for policy implementation. The department heads, perhaps because Parliament has usurped their major management responsibilities, follow the same pattern with lower levels of their own organisations.

Besides the obvious misallocation of resources, this preoccupation with the details of work performance tends to obscure why the work is being performed. As indicated in an earlier article, the public sector is handicapped by not having a "bottom line" to provide overall guidance for its work. If there is also confusion as to why work is being performed (not clear what goods/services are being provided to what clientele) then it is easy to drift into a situation in which work is performed as an end in itself.

Special projects, by their nature, favour an objective/achievement orientation. Railway construction, forestry development, hydro-electric projects, breaking in new farm land, have demonstrated the public sector capability for superior work performance.

Major reasons for successes in these areas are:

- Tangible (physical and specific) objectives to be achieved by work performance are mostly in areas such as construction and engineering that are relatively easy to plan and control.
- In most cases, only one government department is primarily involved and responsible. Involvement by other departments or the private sector is peripheral, therefore the major management tasks of planning, liaison, coordination and control are relatively easy.
- Not many such projects are under way concurrently, therefore key positions could be filled from the small pool of top personnel in the department.

Another characteristic of special projects is that the objective is generally one of capital formation. As defined in economics, a capital item (say a hydro-electric dam) does not directly meet the needs of final consumers, but does (indirectly) make meeting those needs possible through power generation.

Whether by special projects or otherwise, the direct provision of goods and services to the ultimate consumer (the individual citizen or organisation) is not performed nearly as well as capital formation projects. For example, the building of a school is performed well, but whether even half the children attending the school receive a good education is much less certain.

(3) Lack of accountability.

The decline of ministerial responsibility has been well documented in recent years. In the forseeable future the possibility of a minister resigning, even when there is a first-class debacle in his portfolio, is remote.

The permanent heads of departments are just that. At lower levels, even serious failures of performance, causing both great expense and severe penalties to some of the public, do not result in even remotely comparable disadvantage to the public servants responsible, if indeed any penalties are imposed at all.

The recent Correspondence School fiasco is a case in point. As reported in the press, an error in the school's budget resulted in decreased budget levels for staff. When the error was discovered by those who had made the mistake, an attempt was made to reduce the school staffing levels accordingly, rather than admit the budget error.

Probably only because the existence of jobs was threatened was the matter revealed to the press. Would an error in the school budget "only" affecting students have been leaked to the press? A better example of self-interest in opposition to the public interest would be hard to find.

(4) Lack of visibility.

Careful reading of the newspapers in the weeks and months following the two or three stories on the Correspondence School budget error failed to turn up any reference to what happened to those responsible. Justice must not only be done, but be seen to be done.

Silence as to who was responsible and what corrective action - if any - was taken by management to ensure that such a situation would not recur is destructive of public confidence and to the morale of public servants who act responsibly.

(5) Lack of cause and effect linkages.

A corollary to lack of accountability and visibility is the infrequency with which individual work performance is directly linked to rewards or punishments. For the vast majority of the public service, there seems to be little connection; wide variance in the quality and quantity of work performance has little effecting on pay or promotion increases. Even more damaging to good work performance than the indiscriminate granting of rewards is the almost complete lack of penalties.

The minority who strive for better work performance tend to do so, at least to some degree, even when pay and promotion rewards are inadequate, delayed, or both.

The majority who do no more than what is required of them are greatly affected by the dearth of penalties for poor work performance. The quality and quantity of work performed by this majority is directly linked to the imposition or lack of penalties.

Thousands of public servants

Continued Page 41

Foreign affairs

Thailand's plea to us: take more refugees

by Allan Parker

THAILAND has made a special plea to New Zealand to take more South-east Asian refugees.

A senior government official in Bangkok used a recent briefing on Thailand's economy as an opportunity to ask visiting New Zealand and Australian journalists to "please bring up the problem (Thailand's massive refugee population) with your readers and government".

Wichet Suthiyakom, Deputy Under-secretary for foreign affairs, added: "Please take more refugees."

New Zealand has so far taken about 4000 Indo-Chinese refugees — just under half Kampuchean and Laotian borders in Thailand's east and north-east regions. Australia, by comparison, has so far resettled some 50,000 refugees, 15,000 from the Thai camps.

At the peak, Thailand had 500,000 refugees from Kampuchea (the bulk), Laos and Vietnam.

Resettlement has reduced that number to some 350,000, which is still a severe drain on the Thai economy.

The Thai Government is obviously concerned that, after the mutual rush of publicity when the Asian refugee and boat people exodus became an international cause celebre, the world now believes the problem has gone away.

The recent Bangkok briefing reinforced a visit to New Zealand by Thailand's Foreign Minister Siddhi Savetsila last February.

At that time he recorded Thailand's appreciation of New Zealand's resettlement efforts, noting that one out of 900 New Zealand residents is now an Indo-Chinese refugee.

Current New Zealand intake policy is for family reunification — "tidying up the loose ends of split families" is how one official described the policy.

In fact, the policy is recognised by both the Thai Government and the United Nations High Commission for Refugees as unique because we will accept handicapped and non-income earning members of families rather than just productive people.

Realistically, the recent Thai plea accepts that New Zealand has a small population and a large resettlement programme would be disruptive both for the refugees and New Zealanders alike.

Rather, the Bangkok Government hopes New Zealand will maintain the current steady flow of refugees and not reduce it.

To this end, Thai officials stress New Zealand's historic links with their country through such arrangements as Seato and the Colombo Plan.

Meanwhile, New Zealand officials associated with the resettlement programme report a slight northward drift to Auckland among the refugees who have been here for some time. As with New Zealanders themselves, this is particularly noticeable among the young and unattached.

However, the drift is not significant and large communities of refugees remain in the other metropolitan and provincial centres in which they were first resettled.

Most of the refugees who are able to work move initially onto factory production lines where a good command of English is not essential.

But once their English improves and they become more familiar with New Zealand society, they tend to look elsewhere for jobs.

Management

From Page 40

do much less than they can do (and much less than they are paid to do) because they would respond to the negative approach of possible penalties rather than the positive approach of promised rewards. They are employees essentially satisfied with pay and status ("essentially" means deciding not to exert themselves so as to better their circumstances). But, if significantly higher quality/quantity of work performance was required to maintain their present circumstances, they would do so because they are capable of better work.

(6) The effects of organisation structure: compounding self-interest and motivation problems.

Earlier in this article it was noted that special projects tend to be more successful undertakings in the public sector, particularly those primarily involving only one organisation. Because of people problems complicating management and control, the fewer the organisation units involved in one project, the greater the probability of success.

Most problems today are complex ones involving systems, and attempts to solve them must use a systems approach. Organisations are generally structured by grouping together similar work functions, with vertical columns of boxes on the organisation chart (finance, manufacturing, etc.) showing the line relationships.

The systems approach to problem solution requires a single project team to be made up of all the relevant work specialities. Therefore the project team, composed of one or a few from each of the "vertical" organisations, poses substantial management and control problems.

Both private and public sector organisations are subject to the conflict between the work specialty/vertical/permanent groupings for administrative purposes and the project team/horizontal/temporary groupings designed to achieve specific management objectives through the process of change.

Public sector organisations generally experience greater conflict because of organisation size (larger), less flexibility (imposed as well as built-in), plus less experience in project/programme organisation structures.

Successful performance in multi-year systems-type programmes, through the yearly project objectives that build up to final achievement of the programme goal, is very difficult. Even in the most highly motivated private sector organisations that specialise in this type of work there are frequent failures.

Constant innovation goes on to achieve ever closer relationships between employee self-interest and successful project completion. Therefore, to this listing of obstacles to successful performance in the public sector, the problems of self-interest and motivation loom very large indeed.

What is now becoming clear, as the bits of mosaic from this series of articles are put in place, is the magnitude of the job facing the public sector.

The various organisations must accomplish significant internal change to become capable of leadership and participation in the process of change New Zealand itself must rapidly accomplish.

Getting the best out of DP — within budget

by Stephen Bell

"THIS project is only 300 per cent over budget" — barely an exaggeration, the quote was chosen by Graeme Shorr as a starting point for a recent address to the Wellington branch of the Computer Society.

The discussion highlighted a problem familiar to most managers who have introduced a data processing component into their business; while other company departments manage to keep reasonably within budget, DP developments seem doomed regularly to exceed planned costs and schedules.

Short saw the situation graphically as an adjustable triangle, but one under a great deal of strain.

While the users pushed on one corner, representing the development time of the system, the DP department was pushing in the opposite direction, intent on improving quality and reliability.

The poor company accountant sat hard on the apex of the triangle, trying to force the costs down.

One is bound to ask: need this be so? On the software side, the applications package merchants would have us believe that few computer applications are essentially new; most could be covered by an already developed high-quality package at zero development time and a cost spread over hundreds or thousands of users.

But this argument usually stumbles on the fixation of company individuality — our problems are different from everyone else's. The great package boom, expected for years, has never really eventuated.

Fortunately, the package-sellers themselves are realising the drawbacks to rigidity and a new generation of flexible packages is coming on to the market.

At the extreme of this philosophy, are the software tools which can tack together pre-stored modules of program to handle basic functions (inquiry, file update, and so forth), with additional parameters to "tailor" the system to the individual's requirements.

This appears to be the decided direction of IBM.

Contrasting with this is the "pre-processor" philosophy, providing a language in which the individual system can be designed quickly "from scratch".

This language can vary from an abbreviated version of a conventional programming language to something like Burroughs's Linc, describing business entities and processes rather than pure data manipulations.

Such a tool has the merit of "bridging the gap" between the way management understands the system and the way the programmers view it.

Tasman decision pushes FCL towards Facom

by Stephen Bell

A PROVISIONAL decision by Tasman Pulp and Paper to rake on Japanese computer equipment from Facom can only encourage bets on the Fletcher Challenge group going the Japanese way.

Tasman had not signed a firm contract as *NBR* went to press, and official comment was still being refused, but it is understood that there is almost no chance of the decision going to another contender.

Meanwhile, ICL, Tasman's current supplier of computing power, has weighed in as a third contender for the main Challenge computer upgrade.

Challenge Computers Ltd, the newly-formed computing services subsidiary of the group, is already the agent for Facom's V series of small business machines, and has a tender out for a large upgrade to its computer network (*NBR*, June 29).

Tender documents were originally sent only to Facom and to Burroughs, which currently runs the Challenge computer network; but ICL subsequently requested a copy and is considering a bid for the project.

Fletcher and Tasman currently use other manufacturers' equipment and interworking would be managed by communications links where necessary, said Challenge Computers general manager Terry Smith.

If Challenge were to go Facom, the interface with Tasman would be far simpler, though obviously this would not be enough by itself to sway the decision.

Tasman discounts any Challenge influence in its move towards Facom. The Japanese manufacturer was one of the candidates long before Challenge took up the V series agency, said spokesman John MacDonald.

"We talk to each other, as brother or sister companies, but Challenge's decisions are Challenge decisions and our decisions are our own," he told *NBR*.

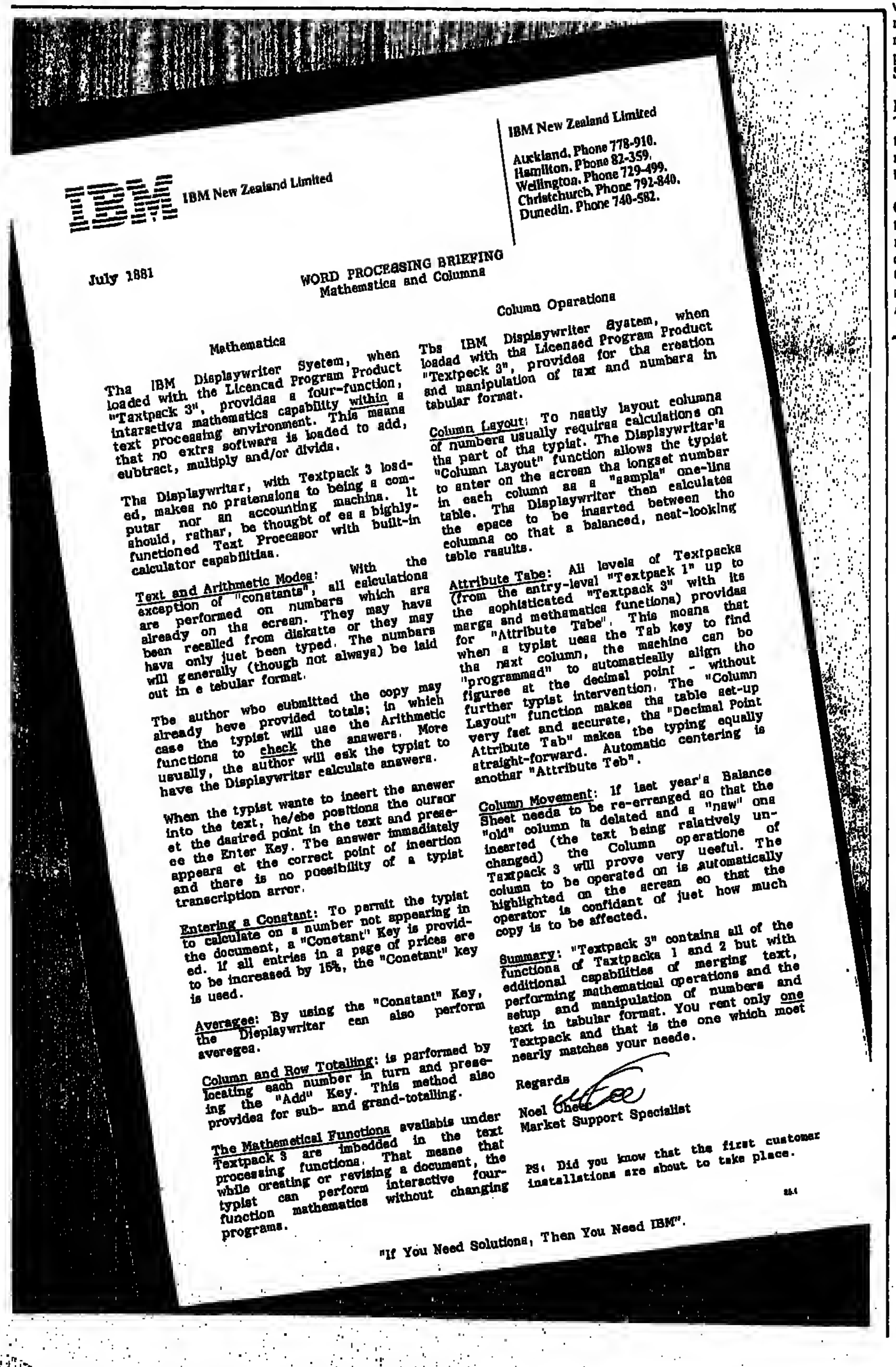
The Tasman move ends a long association with ICL, while a Challenge shift to Facom would end Burroughs's protracted presence there.

Facom's first local success, of course, was with IBM user Air New Zealand.

But a good deal of the company's early business in Australia was in replacement for Burroughs hardware.

In the third arm of the Fletcher Challenge group no change is being considered at present, said spokesman Bill Sinclair.

Fletcher's computer resources are diverse; besides using Challenge and other bureaux, it has a number of machines processing the work of individual companies, and "about 10 brands" of computer are involved, he said.



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July 1981

WORD PROCESSING BRIEFING
Mathematics and Columns

Mathematics

The IBM Displaywriter System, when loaded with the Licenced Program Product "Textpack 3", provides a four-function, interactive mathematics capability within a text processing environment. This means that no extra software is loaded to add, subtract, multiply and/or divide.

The Displaywriter, with Textpack 3 loaded, makes no pretensions to being a computer nor an accounting machine. It should, rather, be thought of as a highly-functioned Text Processor with built-in calculator capabilities.

Text and Arithmetic Modes: With the exception of "constants", all calculations are performed on numbers which are already on the screen. They may have been recalled from diskette or they may have only just been typed. The numbers will generally (though not always) be laid out in a tabular format.

The author who submitted the copy may already have provided totals; in which case the typist will use the Arithmetic functions to check the answers. More usually, the author will ask the typist to have the Displaywriter calculate answers.

When the typist wants to insert the answer into the text, he/she positions the cursor at the desired point in the text and presses the Enter Key. The answer immediately appears at the correct point of insertion and there is no possibility of a typist transcription error.

Entering a Constant: To permit the typist to calculate on a number not appearing in the document, a "Constant" Key is provided. If all entries in a page of prices are to be increased by 15%, the "Constant" key is used.

Averages: By using the "Constant" Key, the Displaywriter can also perform averages.

Column and Row Totalling: is performed by locating each number in turn and pressing the "Add" Key. This method also provides for sub- and grand-totalling.

The Mathematical Functions available under Textpack 3 are imbedded in the text processing functions. That means that while creating or revising a document, the typist can perform interactive four-function mathematics without changing programs.

Column Operations

The IBM Displaywriter System, when loaded with the Licensed Program Product "Textpack 3", provides for the creation and manipulation of text and numbers in tabular format.

Column Layout: To neatly layout columns of numbers usually requires calculations on the part of the typist. The Displaywriter's "Column Layout" function allows the typist to enter on the screen the longest number in each column as a "sample" one-line table. The Displaywriter then calculates the space to be inserted between the columns so that a balanced, neat-looking table results.

Attribute Tabs: All levels of Textpacks (from the entry-level "Textpack 1" up to the sophisticated "Textpack 3" with its merge and mathematics functions) provides for "Attribute Tabs". This means that when a typist uses the Tab key to find the next column, the machine can be "programmed" to automatically align the figures at the decimal point — without further typist intervention. The "Column Layout" function makes the table set-up very fast and accurate, the "Decimal Point Attribute Tab" makes the typing equally straight-forward. Automatic centering is another "Attribute Tab".

Column Movement: If last year's Balance Sheet needs to be re-arranged so that the "old" column is deleted and a "new" one inserted (the text being relatively unchanged) the Column operations of Textpack 3 will prove very useful. The column to be operated on is automatically highlighted on the screen so that the operator is confident of just how much copy is to be affected.

Summary: "Textpack 3" contains all of the functions of Textpacks 1 and 2 but with additional capabilities of merging text, performing mathematical operations and the setup and manipulation of numbers and text in tabular format. You rent only one Textpack and that is the one which most nearly matches your needs.

Regards

Noel Chee[illegible]
Market Support Specialist

PS: Did you know that the first customer installations are about to take place.

"If You Need Solutions, Then You Need IBM".

Linc wins accolade:

by Stephen Bell

INTERNATIONAL researcher Richard Murch, at the end of a week's exposure to local computer systems development aid Linc, (*NBR*, July 6) pronounced it a "world class" product.

The product is aimed at bringing the user closer to the computer systems development process. Murch has been investigating this kind of product worldwide on behalf of respected author, lecturer and consultant James Martin.

He is conducting research for Martin's next scheduled book, the second in a series on developing computer-based systems "without using programmers".

Next month, a party from Burroughs head office in Detroit is due here to look at the product, raising the prospect of the manufacturer adopting Linc for worldwide marketing.

Murch says unequivocally that "application generators" like Linc represent the future direction of computer systems development. They will be the means of boosting productivity and ensuring closer conformity of computer systems with the needs of management.

By comparison, he said, the widely publicised techniques of "structured" systems analysis and programming had failed.

Productivity improvement from such techniques varied from "nought to 25 per cent", and their use hardly impacted the relevance of the final programs to management needs.

Application generators could lift productivity by "several hundred per cent", and involve management far more closely with the development process.

Local Burroughs spokesmen maintain that Linc has already demonstrated such benefits, and reports from users seem to support this view.

In some cases, managers were already doing their own systems development directly, said LDC representative Mel Weston.

But more commonly, systems analysts and programmers continued to do the actual coding of Linc statements; managers' knowledge of Linc meant that they and systems analysts were talking the same language.

First candidates for Linc courses still tend to come from the user's DP department, but management representatives either accompanied them or followed soon after, said Burroughs.

An important advantage of Linc was its use for building "prototypes", said LDC manager Peter Stephinson.

The systems analyst could write Linc statements based on end-user expression of requirements and take them back to the users.

Because they understood Linc code, they could competently approve the prototype or point out any misunderstandings.

Murch, during his week's visit, became thoroughly immersed in Linc, taking on the new compressed five-day Burroughs course alongside prospective users.

He was visibly impressed with the product, comparing it favourably with some of the overseas aids to management development of computer systems.

Given good marketing back-up, Linc "will make a great impact on Burroughs users", he predicted.

Linc, originally developed by two independent consultants,

Bad news: computer power won't come any cheaper

by Stephen Bell

AMERICAN computer guru Herb Grosch predicts a lot of improvement still to come in raw computing power. But before you develop visions of cheap business automation, there is bad news to come; and after that, more bad news.

Bad news, part one: despite the optimism of Grosch's New Zealand hosts, Burroughs, programming will continue to be a labour-intensive business.

The proportion of computing funds expended on applications development was already about 65 per cent and destined to reach 80 per cent in 10 to 15 years' time, he forecast.

What about the shortening of the program development process promised by Burroughs Linc and similar aids? Linc, said Grosch, is "just another language. There'll still be programmers."

But surely such aids would allow management to rake on part of the systems development effort? "You can call them programmers, analysts, managers, whatever you like," Grosch told *NBR*, "you'll still need someone to do it." And there would still be plenty of work for them all to do.

"It's Parkinson's law," he said. The amount of work that computer systems will do would expand to fill the human resources available to devise the systems.

Bad news, part 2; as a computer user, you're not going to have that much of the new power available to you anyway.

Computer systems would be freighted with an increasing amount of systems software dedicated to administering the machine's internal processes and would spend less and less time doing anything useful.

Already, he said "the average computer runs at about 10 per cent efficiency". The adventurous multi-processor networks now being pushed by computer manufacturers might eventually spend 99 per cent of their time on internal administration.

It was simply not in the interest of the more successful computer companies to produce machines offering the user more real power, said Grosch.

IBM — his former employer — currently commands about 60 per cent of the market. If it brought out a machine with twice the end-user-power for the same cost it would knock out most of the competition, and increase its market share to around 90 per cent.

But the number of machines sold and IBM's income would immediately drop to half what it was, leaving the company in a worse position than before.

So IBM, in particular, continued to pile on the software and encourage users into more complex systems.

Rivals like Burroughs have much lower market shares, and it would actually be to their advantage to offer the end-user more power. Burroughs is "trying to develop good software," said Grosch, but the effort was not universally successful.

Distributed processing — several small machines connected in a network — was not the solution to complexity, cost, or productivity problems, though it was often touted as such, said Grosch.

"If you have lots of nodes, each operated by two people, and one gets knocked over by a bus, you're in trouble," he told *NBR*. "You get best results from your people by clumping them together in one place".

Small machines in the charge of the end-user were another mythical expense-saver. "You might think 'I'm saving by not using programmers or data preparation staff'; the reason you're not using them is that you're doing it yourself — badly. That's not saving costs, just hiding them."

Survivors in big league 'will all be American'

THERE will be no European survivors in the mainframe computer industry in 10 to 15 years' time, Herb Grosch predicted during his New Zealand visit.

The four Western companies who would outlast this period, he said, were IBM, Burroughs, Univac and Control Data — all United States firms.

Others, he acknowledged, may survive, handling specialist markets, but they would no longer be in the business of making general-purpose central machines to which other companies would want to link their own equipment.

There would continue to be room for "plug compatible" manufacturers, making cut-price duplicates of the mainframers' processors and peripherals to link into them.

Grosch discounted the much publicised Japanese threat to US dominance of the computer market. Three of the six Japanese companies in the business — Hitachi, Fujitsu and the Nippon Electric Company — he also ranked as survivors, but they had no chance of catching up with the state of United States computer technology.

later, he admitted to *NBR* that there just could be a catch-up in the long term, but the chance was remote.

A significant weakness of the Japanese industry, he said, was a lack of inter-company co-operation — a view at variance with the conventional "Japan Inc" image. "Hitachi and Fujitsu don't even talk to each other. In Silicon Valley, gossip flies at the speed of light."

The Japanese companies also lacked strong enough contacts with the educational system to take advantage of a steady flow of university research information into the industry, said Grosch.

'world class product'

has been taken over by Burroughs New Zealand, on whose equipment it runs, but Murch says the product has "got to go international".

It has relevance not only to Burroughs users but to "the whole industry", he said. But developers Peter Hoskins and Gil Simpson admitted that it would prove very difficult to transfer efficiently on to another manufacturer's hardware.

The flexibility and power of the Burroughs systems software was the chief factor in choosing Burroughs equipment as an implementation base for Linc, said its developers.

At best, transfer on to another brand of computer would involve considerable overhead in processing time.

Particular strengths lay in Burroughs' database and network strategy. The trend among most suppliers seemed to be towards removing "restrictions" but in so doing removing knowledge from the user.

Linc "has to know where things are in memory", and Linc-generated applications kept a tight control on terminals and who was allowed to do what from where.

So prospects for the New Zealand-developed systems builder as an industry-wide standard look bleak.

Burroughs NZ is obviously enthusiastic at the prospect of worldwide marketing of the product, but at the same time LDC personnel are keen to keep the centre of Linc expertise in Christchurch.

The LDC could even be the foundation of a New Zealand software "factory," suggested Burroughs NZ general manager Hugo Simpson. Christchurch could turn out Linc developments and software packages evolved through use of Linc, for world consumption.

Favourable comments on Linc from an International DP "consumer" organisation were "very gratifying", said Gil Simpson. "We've had to battle scepticism in New Zealand; we're still considered very much 'Marginal Lands Board' material".

ICL opts for professionals

WHILE Burroughs concentrates on bringing systems development closer to the end-user, the latest development aid from British manufacturer ICL chooses rather to try to improve the productivity of the DP professionals — the systems analysts and programmers.

ICL is launching two software products locally, aimed at speeding the development of on-line systems. The development itself is done through the visual display terminal.

One of the attractions of the aids is that they allow the programmer to test-run small parts of the program independently, ensuring that they work before going on to connect them into a complex system, said ICL spokesman Nick Large.

The packages, known as Applications Manager and Slave, also ease the problem of maintaining systems in the face of changes, he claimed.

The program code for an on-line transaction can be called back and amended from the terminal while the rest of the system is running.